

# The power of three

Together, governments, entrepreneurs and corporations can spur growth across the G20

The EY G20 Entrepreneurship Barometer 2013

## Country profiles

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# India at a glance



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Strategic Growth Markets  
Leader, India, EY



**Gaurav Taneja**  
Government & Public Sector  
Leader, India, EY

Groundwork for entrepreneurial challenges is being done, and entrepreneurs are positive about progress

Key facts	
Overall Barometer ranking	<b>Quartile 4</b>
Population	<b>1.2b</b>
GNI per capita (PPP)	<b>US\$3,840</b>
GDP growth	<b>3.2%</b>
Exports as % GDP	<b>17.6%</b>

Source: The World Bank, 2012



Entrepreneurs in India face a broad set of challenges in setting up and growing their businesses but are nonetheless highly positive about the prospects ahead in one of the world's key rapid-growth economies. Relative to its vast population, the rate of new business registrations in the country may be comparatively low, but India still produces some of the world's most innovative and successful entrepreneurial ventures.

There are a number of areas where progress could be made to smooth the path for entrepreneurs. For example, the regulatory system could be streamlined, while the red tape faced by entrepreneurs could be reduced. Regulations governing the export of goods remain too burdensome.<sup>1</sup> Furthermore, the tax system, although not particularly onerous, could be made less complicated.

On the positive side, the image of entrepreneurs is improving in India, boosted by the Government's nationwide programs.<sup>2</sup> Technology start-ups have seen considerable success in recent decades. However, standards of education need to be enhanced

and research and development (R&D) activity needs to be ramped up to make the most of this advantage. A case in point: in 2011, according to The World Bank, only 5,168 patents were granted in India, compared with 172,113 in China.<sup>3</sup> But despite this low number of patents filed, India is rapidly emerging as a leader in so-called "frugal innovation," with products and services that are designed to maximize affordability for consumers. Successful examples include the Aakash tablet (a low-cost computer) and First Energy Stove (a wood-burning stove).<sup>4</sup>

As with most other G20 countries, entrepreneurs in India face challenges in accessing finance.<sup>5</sup> Domestic credit to the private

<sup>1</sup> "How to do business in India," *Journal of Accountancy website*, journalofaccountancy.com, accessed 17 June 2013

<sup>2</sup> "Fostering innovation driven entrepreneurship," *Centre for Innovation, Incubation and Entrepreneurship website*, ciieindia.org, accessed 22 June 2013.

<sup>3</sup> "IP Statistics Data Center," *World Intellectual Property Organisation website*, ipstatsdb.wipo.org, accessed 18 June 2013.

<sup>4</sup> "Indias frugal innovation holds lessons for the UK, says new Nesta report," *NESTA website*, nesta.org.uk, accessed 21 June 2013.

<sup>5</sup> "India's Big Problem: Nurturing Entrepreneurs," *GALLUP Business Journal website*, businessjournal.gallup.com, accessed 24 June 2013.

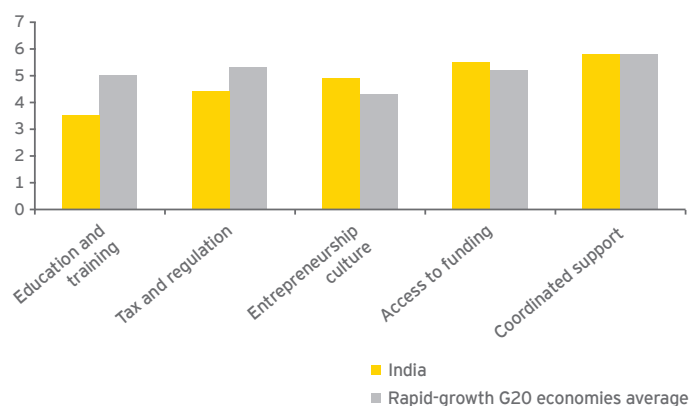
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sector as a percentage of GDP in India is relatively low. However, venture capital and private equity have emerged as funding sources for Indian entrepreneurs in recent years, with steady improvements. Although venture capital and private equity firms have recently moderated their activity in India as a result of the economic slowdown, they continue to be bullish in the long term, as evidenced by the strong presence of global private equity firms locally.

India's pillar scores compared to rapid-growth G20 economies average



Source: EY G20 Entrepreneurship Barometer 2013

## Time to focus on some of the basics

The Barometer suggests that entrepreneurs in the country have plenty to be upbeat about. Local respondents noted strongly positive improvements on coordinated support, which reflects improvements in the ecosystem for entrepreneurs. It is heartening to see nationwide efforts being made to boost the image of entrepreneurs, but more can be done to provide businesses with the basic support that they need, for example in skills development, finance and the simplification of procedures.

<sup>6</sup> Asian Development Bank, *Asia 2050: Realizing the Asian Century* (Asian Development Bank, 2011).

<sup>7</sup> "Infrastructure India: A Long Road Ahead," Business in Asia website, business-in-asia.com, accessed 22 June 2013.

<sup>8</sup> EY, *Turning the corner: Global venture capital insights and trends 2013* (EYGM Limited, 2013).

<sup>9</sup> "Indian commodity exchange have witnessed a volatile session since the start of 2012," *Stock Markets Review website*, stockmarketsreview.com, accessed 4 June 2013.

<sup>10</sup> "RBI cuts repo rate by 50 bps; sees little room for more," *Reuters website*, in.reuters.com, accessed 7 June 2013.

## SWOT analysis

### Strengths

- ▶ India has a large and growing consumer market, and on the basis of studies conducted by the Asian Development Bank, its middle class is set to rise from a quarter of the population in 2005 to almost 60% in 2030.<sup>6</sup>
- ▶ The image of entrepreneurs is being significantly boosted by national programs and their success stories.

### Weaknesses

- ▶ Public spending on education is low, and enrollment rates in secondary and tertiary education institutions are low compared with G20 peers.
- ▶ Infrastructure is weak, which adds to the costs of doing business in India.<sup>7</sup>
- ▶ There is a high degree of bureaucracy that impacts start-up and other related procedures.

### Opportunities

- ▶ The Government's plans to rejuvenate the economy could create significant market opportunities for entrepreneurs.
- ▶ Accelerated economic growth should also attract investors looking for innovative projects with high potential returns.
- ▶ Indian entrepreneurs are well-placed to take advantage of growth in other markets in Asia, Europe, Africa and South America.

### Threats

- ▶ Initial public offerings (IPOs) and venture capital funding were weak in 2012.<sup>8</sup> The economy will need to pick up the pace to encourage investors' to provide more support to entrepreneurial businesses.
- ▶ The Indian Rupee has depreciated over 20% against all major currencies (US dollars, British pounds and euros) since the second half of 2011. In the first half of 2013, the currency continued to slide further.<sup>9</sup> Currency stability is important for entrepreneurs who rely on imports of machinery and equipment and other raw materials.
- ▶ Inflation remains a threat to the Indian economy. Surging food and oil costs imply that the central bank has little room for rate cuts, resulting in higher cost of lending for entrepreneurs.<sup>10</sup>

## What to watch for

### Government efforts to revitalize growth

Entrepreneurs in India will face a struggle if the country's economic growth continues to slow down. The economy grew by an average of more than 8% a year between 2003 and 2011 but has slowed in the past two years. A range of structural issues in India's economy have eroded some of the gains from the reforms implemented in the 1990s.<sup>11</sup>

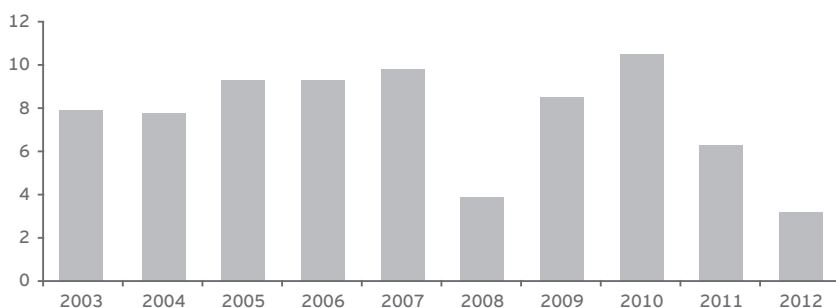
The Government has recognized the need for action. In the second half of 2012, it unveiled a series of reforms to kick-start the economy, which included allowing 51% foreign direct investment (FDI) in multi-brand retail and 100% FDI in single-brand retail.<sup>12</sup> The Indian Government is also in the final stages of reviewing caps on FDI in other sectors as well, including in defense, in its bid to attract overseas capital and speed up much-needed infrastructure projects.<sup>13</sup>

The effect of these reforms is expected to be seen in 2013 to 2014. The Government hopes that increased foreign investment will create jobs, improve supply chains and boost productivity across the country. If this helps to return the economy to a higher growth path, it should lead to broader opportunities for Indian entrepreneurs.

There is hope that the Government's decision to reform the retail sector is also a sign that it will be willing to implement wider improvements. The Barometer highlights several areas that need significant attention.

It is also encouraging that land acquisition reforms may be on the horizon.<sup>14</sup> Slow decision-making on land acquisition currently holds back infrastructure development, which is an obstacle to doing business in India. The Government has drafted a reform bill, and there is widespread hope that it will be passed in Parliament. Furthermore, in its efforts to spur economic growth, the Government set up a Cabinet Committee on Investment in December 2012, headed by the Prime Minister.<sup>15</sup>

India's annual GDP growth percentage (2003-12)



Source: The World Bank

<sup>11</sup> M Ahluwalia "Lessons from India's Economic Reforms," *Development Challenges in the 1990s' – Leading Policymakers Speak from Experience* (World Bank and Oxford University Press, 2005).

<sup>12</sup> BDO, *Foreign Direct Investment in India's single and multi-brand retail: new opportunities and developments* (BDO International, 2012).

<sup>13</sup> "Govt unleashes big-bank FDI reforms, opens up defence," *Times of India website*, timesofindia.indiatimes.com, accessed 18 July 2013.

## How the government is helping

### Credit Guarantee Fund Trust for Small & Micro Enterprises (CGTSMSE)

CGTSMSE provides credit guarantees to entrepreneurs looking to set up new enterprises or to expand their existing operations. It enables banks to lend up to INR10m (US\$212k) to entrepreneurial businesses without any collateral or security. As of 31 July 2012, a total of 870,000 applications, worth INR417.9b (US\$8.8b), had been approved for these credit guarantees. The scheme is operated through a network of around 100 banks and financial institutions.

Launch date: 2000

Most relevant pillar: access to funding

### Technopreneur Promotion Programme (TePP)

The TePP is an initiative of the Department of Scientific and Industrial Research (DSIR). It aims to help individual technological innovators become successful entrepreneurs by promoting, supporting and funding their projects. Between 2007 and 2012, TePP supported a total of 400 projects with around INR270m (US\$5.7m).

Launch date: 1998

Most relevant pillars: access to funding, coordinated support

<sup>14</sup> "Political parties reach consensus on land reform," *Reuters online*, in.reuters.com, accessed 17 June 2013.

<sup>15</sup> "PM lists projects worth Rs.1 trillion to be monitored by steering panel," *Live Mint & The Wall Street Journal Website*, livemint.com, accessed 21 July 2013.



## National Entrepreneurship Network (NEN)

The nonprofit National Entrepreneurship Network supports high-growth entrepreneurs by providing critical support to start-ups and early-stage entrepreneurs. The support offered includes education on entrepreneurship and fast-track access to incubation, funding, mentors and experts. It has over 70,000 members in 30 cities and has established partnerships with more than 470 academic institutes in the country to help them develop on-campus entrepreneurship ecosystems. NEN also runs Entrepreneurship Week India, India's largest entrepreneurship-awareness campaign.

Launch Date: 2003

Most relevant pillars: entrepreneurship culture, education and training, coordinated support

## Trade Related Entrepreneurship Assistance and Development (TREAD) scheme for women<sup>16</sup>

The Government launched TREAD to empower women by developing their entrepreneurial skills in non-farm activities. Under this scheme, the Government grants up to 30% of the total project cost to non-governmental organizations (NGOs) to promote entrepreneurship among women and up to INR100,000 (approx. US\$1,818) per program to train women entrepreneurs. Up till December 2012, it had approved and disbursed grants amounting to INR7.7m (approx. US\$140k) to nine NGOs to empower 2,374 women.

Launch date: 2008

Most relevant pillars: access to funding, entrepreneurship culture, coordinated support



### Key insight: the need for educational reforms

Dr. Naresh Trehan, Medanta: The Medicity, India

*Medanta: The Medicity is a medical institute located near New Delhi in India. It aims to foster high standards of medical care along with clinical research, education and training. The Medanta complex includes a research center as well as a medical school and a nursing school. It has 1,250 beds, more than 350 critical care beds, 45 operating theaters and 20 different medical specialties. The Medicity was founded by the leading cardiac surgeon Dr. Naresh Trehan.*

Dr. Trehan is clear about the challenges facing India – the need to ensure that good education and training is provided to its large young population in order to help ensure they find the right jobs or have the skills necessary to create their own. He warns, “If we can't find employment for the 500 million young people in this country, we may have a problem on our hands.”

Dr. Trehan praises the Government's Skill Council initiative, which provides education, training and employment to young

people to equip them for the job market. “We have a Health Sector Skill Council, and we have undertaken to upscale five million jobs in health care over the next 10 years,” he says. “There is also an acute awareness of the need to invest money in business training – we realize the value of training, and we are investing appropriately in that.”

However, there is concern over the progress being made in the area, given the fact that regulations relating to education need to be significantly eased. “You are not allowed to charge the current market price, so you have to walk a very thin line between earnings and your expenditure. Most schools are being supported by grants,” says Dr. Trehan. In his view, the Government needs to reform the educational sector to free it up and help to expand its capacity. He believes that over the next 5 to 10 years, India will need to double its capacity both in education and health care.

<sup>16</sup> Government of India, Ministry of Micro, Small and Medium Enterprises, *Annual Report 2012-13* (Micro, Small and Medium Enterprises, 2012).

# Access to funding

Pillar ranking: 11

# 66%

of local entrepreneurs say that access to private equity has improved in the past three years

## Requirement of additional Government support

Access to funding	India	G20 average	Period
<b>IPO market activity</b>			
IPO amount invested (% of GDP)	0.31	0.22	2009-11 average
<b>Access to credit</b>			
Domestic credit to private sector (% of GDP)	48.2	99.0	2008-10 average
Venture capital availability (Scale of 1=impossible to 7=very easy)	3.3	3.0	2009-11 average
M&A deal value (% of GDP)	2.9	3.4	2010-12 average

Sources: The World Bank, Dealogic, IMF, World Economic Forum

India's domestic credit to the private sector at 48.2% of GDP was under half of the G20 average of 99.0% (2008-10 average)

Entrepreneurs in India struggle to access commercial sources of financing. This suggests that the Government may need to provide more credit guarantees and support mechanisms to encourage lending. According to The World Bank, the ratio of domestic credit to GDP in India was 48.2% compared to an average of 99.0% across the G20 countries in the period of 2008 to 2010.

However, the situation is changing rapidly, and access to capital for entrepreneurs has improved in the incubation and growth stages of enterprises. More than half of local entrepreneurs cite improvements in various sources of funding, including microfinance, private equity, business angels and bank loans with the number of incubators in India expected to rise from 120 in 2012 to around 1,000 within the next decade, according to a Planning Commission report.

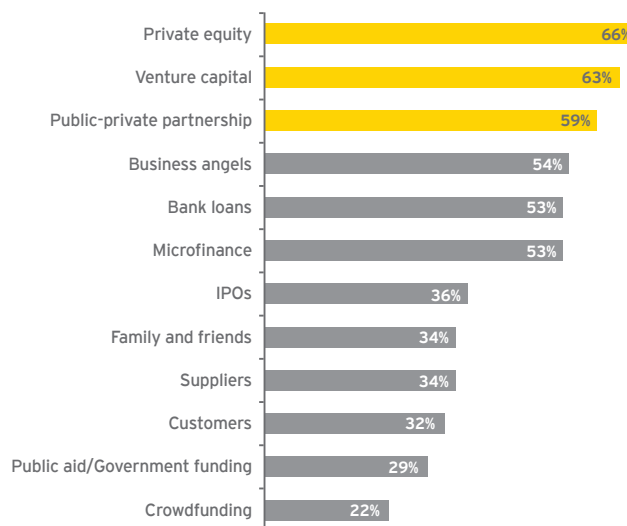
The Indian Government has also successfully promoted venture capital funds, with 63% entrepreneurs in India acknowledging that access to venture capital has improved in the past three years. An example is SIBI Venture Capital Limited, an organization that co-finances state-level funds and can co-invest with private sector venture capital firms on a case-by-case basis.

Several private and public sector banks, as well as Government-sponsored organizations, provide funding support to entrepreneurs.<sup>17</sup> For instance, State Bank of India has introduced schemes such as the SME collateral free loan and the SME Credit

Card.<sup>18</sup> Furthermore, since launching in 2000, India's Credit Guarantee Fund for Small and Micro Enterprises has invested US\$8.8b in small ventures that would otherwise have lacked the collateral required to secure a bank loan.<sup>19</sup>

India lags behind several G20 economies in terms of the value of its IPOs. However, the Finance Ministry has recently allowed entrepreneurial businesses, including start-ups, to be listed on the SME Exchange without being required to make an IPO.<sup>20</sup> This makes it easier for firms to raise equity at the growth-stage.

Proportion of entrepreneurs surveyed in India citing improvement in areas of access to funding



Source: EY G20 Entrepreneurship Barometer 2013

<sup>17</sup> "SME Toolkit India – AN ICICI Bank Initiative for SMEs of India," CIOL website, ciol.com, accessed 5 July 2013.

<sup>18</sup> "SBI rolls out collateral-free loans for SMEs," CIOL website, ciol.com, accessed 5 July 2013.

<sup>19</sup> EY, Funding the Future: Access to finance for entrepreneurs in the G20, (EYGM Limited, 2012).

<sup>20</sup> "Union Budget 2013-14: Full text of Chidambaram's budget speech," India Today website, indiatoday.intoday.in, accessed 3 July 2013.

# Entrepreneurship culture

Pillar ranking: 11

# 69%

of entrepreneurs surveyed in India say that their country encourages entrepreneurship compared to only 57% across the G20

## Entrepreneurial enthusiasm waiting to be harnessed

Entrepreneurship culture	India	G20 average	Period
R&D spending (% of GDP)	0.8	1.6	2007-09 average
Scientific and technical journal articles (per 10,000 people)	0.2	3.3	2007-09 average
Cost of resolving insolvency (% of estate)	9.0	11.8	2010-12 average

Source: The World Bank

Entrepreneurship culture is one of the areas in which India performs strongly against its rapid-growth market peers. High-profile programs such as the National Entrepreneurship Network do significant work in promoting entrepreneurship in the country through activities including awareness campaigns and start-up competitions.

Cultural attitudes also help. Local entrepreneurs surveyed were the second most likely among G20 countries to report that positive attitudes to self-made wealth have had a positive effect on entrepreneurship in recent years. Furthermore, the success of start-ups in the computing and business processing sectors in recent decades has raised the image of entrepreneurship as a career in their country. In India, 69% of local entrepreneurs believe that the country has a culture that encourages entrepreneurship. However, about one in three still sees any risk of failure as a barrier to future business projects.

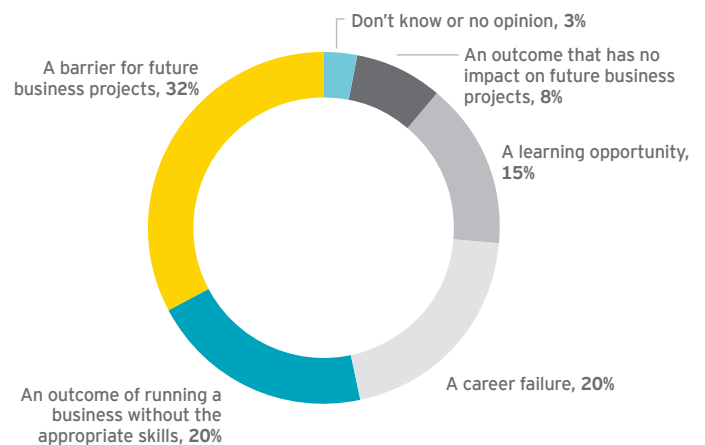
Added to this, the Government has taken clear steps to boost entrepreneurship:

- ▶ It has allocated around US\$400m to set up 15 technology-development centers in India during the period of its 12th Five Year Plan, with assistance from The World Bank. These technology centers are expected to significantly strengthen the country's entrepreneurship ecosystem.<sup>21</sup>
- ▶ It has set aside a sum of around US\$36m to fund organizations that scale up science and technology innovations, commercialize R&D results and make products available to people.<sup>22</sup>

The Government also promotes entrepreneurship by rewarding outstanding performers. Every year, the Ministry of Micro, Small and Medium Enterprises provides assistance in entrepreneurship, R&D, product quality and innovation. Apart from recognizing talent, it also helps to motivate aspiring entrepreneurs and strengthen the country's entrepreneurship culture.<sup>23</sup>

More still needs to be done, however. In 2011, only 0.09 companies were registered in India for every 1,000 people of working age, among the lowest in G20 countries. Getting this right will require initiatives in many areas, from regulatory improvements to educational reforms.

Entrepreneurs' view of how business failure is perceived in India



Source: EY G20 Entrepreneurship Barometer 2013

<sup>21</sup> "Budget Highlights (Key Features)," Government of India: Ministry of Finance website, [indiabudget.nic.in](http://indiabudget.nic.in), accessed 21 June 2013

<sup>22</sup> Ibid.

<sup>23</sup> "MSME National Awards - Curtain Raiser," Press Information Bureau - Government of India website, [pib.nic.in](http://pib.nic.in), accessed 1 July 2013.

# Tax and regulation

Pillar ranking: 19

The cost to start a business as a percentage of income per capita was 51.0% in India, over five times the G20 average of 9.4%; this is the largest in the G20 by a significant margin (2010-12 average)

## Simpler procedures would be beneficial

Tax and regulation	India	G20 average	Period
<b>Ease of starting a business</b>			
Start up procedures (number)	12.0	7.6	2010-12 average
Time to start a business (days)	28	22	2010-12 average
Cost to start a business (% of income per capita)	51.0	9.4	2010-12 average
Paid-in minimum capital to start a business (% of income per capita)	159.5	17.9	2010-12 average
<b>Business regulations</b>			
Time spent on tax issues (hours)	252	347	2010-12 average
<b>Labor market rigidity</b>			
Cost of firing (weeks of wages)	56	50	2007-09 average
Labor and tax contributions (% of commercial profits)	18.2	24.0	2012
<b>Taxation</b>			
Total tax rate (taxes and mandatory contributions borne by the business expressed as a share of commercial profit)	61.8	49.7	2012
Indirect tax rate (taxes collected by the company and remitted to the tax authorities)	12.5	14.2	2012

Source: The World Bank

India's regulatory environment needs to become more business friendly, especially in terms of cutting the red tape that slows the rise of new ventures. The Government is acting to improve the business environment, but more could be done to reduce the time and number of procedures required to start a new business, while also simplifying the tax system.

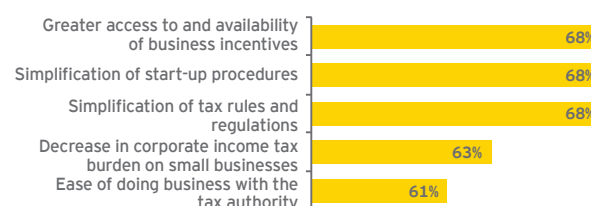
The tax burden is not excessive in India, but the bureaucracy involved in paying taxes is time-consuming. When combined with India's costly labor-market regulation, small businesses opt to stay out of the formal sector rather than comply, limiting the development of those businesses. Overall, 34% of local entrepreneurs argued that simplification of tax rules and regulations would be the single most effective improvement to the tax system in India, ahead of all other measures.

The Government does plan to simplify the tax system. A new direct tax code that will simplify tax rules, introduce new levels for taxation, expand the tax base, improve the tax compliance and lower the tax litigations is being developed. The Government also plans to replace all indirect taxes with a standardized goods and services tax. It is hoped that the reduction in the number of instances where tax needs to be paid will result in a fall in the price of goods and boost revenue collection in some states.<sup>24</sup>

There's a need to simplify in other domains too: 68% of entrepreneurs surveyed in India think simplifying start-up procedures would make a particularly substantial difference. The Government is taking steps to make improvements to several areas of its business and regulatory environment, with encouraging signs of progress. E-government projects have succeeded in enhancing efficiency while reducing bureaucracy and corruption, for example by allowing a business to register online through a secure portal.<sup>25</sup>

Efforts have also been made to attract FDI into India. Regulations in many areas have been revised to permit foreigners to invest directly in India or as part of a joint venture, with a few exceptions with regard to investment limits and sectors.<sup>26</sup>

Proportion of entrepreneurs who believe tax initiatives will have a high-impact over the next three years



Source: EY G20 Entrepreneurship Barometer 2013

<sup>24</sup> Center for e-Governance, Indian Institute of Management, Ahmedabad, *Impact Assessment Study of E-Government projects in India*, (Indian Institute of Management, 2007).

<sup>25</sup> EY, *Doing Business in India* (Ernst & Young Pvt. Ltd, 2012).

<sup>26</sup> "India may simplify govt debt limit allocations to foreign investors," *Live Mint & The Wall Street Journal website*, livemint.com, accessed 27 June 2013.



# Education and training

Pillar ranking: 20

# 70%

of local entrepreneurs indicate that access to informal training networks has improved in India in the past three years

## Streamlining education would encourage entrepreneurship

Education and training	India	G20 average	Period
Public spending on education (% of GDP)	3.3	4.8	2008-10 average
Secondary school enrollment (total enrollment expressed as a percentage of the population of official secondary education age)	61.0	95.0	2008-10 average
Tertiary enrollment (total enrollment expressed as a percentage of the total population of the five-year age group following on from secondary school leaving)	16.4	53.5	2008-10 average

Source: The World Bank

Although the statistics for India's overall enrollment in secondary and tertiary education are weak, there are positives for entrepreneurs. In the survey, the country performed well on entrepreneurial education, primarily due to the support offered by the Government on skills development and motivation programs. However, it is clear that India needs to improve its educational standards to enable more aspiring entrepreneurs to succeed, and increasing public spending on education would be a good start.

The weakness in India's educational standards limits the number of people without the necessary skills to start and run businesses, as well as the pool of talent that entrepreneurs must draw from to expand their business. This is compounded by India's tertiary enrollment rates, which are the lowest in the G20. This causes a shortage of highly educated workers, which hampers technological innovation.

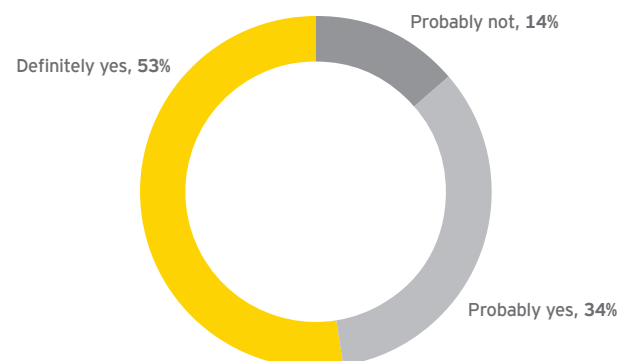
There is also a need for more consistent quality of higher education. Three Indian universities have been ranked among the *Times Literary Supplement's* top 400 universities,<sup>27</sup> but standards in others are typically far lower. However, the focus on improving higher education in the country has been boosted with increased allocation of funds to the sector. The Government plans to spend US\$82b (INR4.5t) on education as part of the country's new Five Year Plan (2012-17), which represents a 155% increase. Of this, over US\$20b (INR 1.1t) is allocated to higher education.<sup>28</sup>

Many top business schools have also begun to include entrepreneurship education in their curriculum. According to the entrepreneurs surveyed in India, the standard of entrepreneurial programs held in schools and universities, along with access to peer-to-peer learning are improving. This is significant progress, especially as nearly 90% of entrepreneurs believe students need access to specific training to become entrepreneurs.

Entrepreneurial education provided by the Ministry of Micro, Small and Medium Enterprises:<sup>29</sup>

- ▶ Industrial Motivation Campaigns (IMCs): the Ministry organizes campaigns to motivate entrepreneurs to set up entrepreneurial businesses and become self-employed. By December 2012, 999 IMCs had been conducted, reaching close to 75,000 people.
- ▶ Entrepreneurship Development Programs: these programs provide young people with useful information on areas including manufacturing practices, marketing techniques and export opportunities to help them develop entrepreneurial skills.
- ▶ Training programs: the Ministry organizes a variety of training programs to help entrepreneurs develop the skills they need to be successful.

Entrepreneurs' view as to whether students need access to specific training to become an entrepreneur



Source: EY G20 Entrepreneurship Barometer 2013

<sup>27</sup> "World University Rankings 2012-13," *The Times Higher Education website*, [timeshighereducation.co.uk](http://timeshighereducation.co.uk), accessed 30 June 2013.

<sup>28</sup> "Outlay for education sector hiked by 155 per cent for 12 Plan Period," *The Economic Times website*, [articles.economictimes.indiatimes.com](http://articles.economictimes.indiatimes.com), accessed 4 July 2013.

<sup>29</sup> Ibid. ft 16.

## Coordinated support

Pillar ranking: 5

# 70%

of local entrepreneurs think that access to informal entrepreneurial networks has improved in India over the past three years

### Much-needed help provided by improved support structures

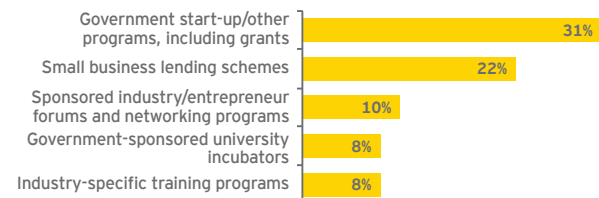
Based on strongly positive local sentiment, India performs well on coordinated support overall, and strong improvements have been reported in recent years. Various organizations and initiatives have been launched, all of which have the potential to boost entrepreneurship in the country significantly. This is encouraging because it suggests that public and private bodies are becoming more organized in trying to help entrepreneurs overcome the various obstacles they face while setting up their businesses.

India scores particularly well on access to entrepreneurial networks, with 70% of respondents indicating improvements in this area in the past three years. A key factor for this is the rapid growth of the nonprofit National Entrepreneurship Network, which now has 70,000 members in 30 Indian cities.<sup>30</sup>

There are several other programs that support entrepreneurs. These include those offered by the Entrepreneurship Development Institute of India<sup>31</sup> and IIM Ahmedabad's Center for Innovation Incubation and Entrepreneurship,<sup>32</sup> both of which aim to strengthen India's entrepreneurial ecosystem by providing mentoring, financial support and knowledge to entrepreneurs.

The other two salient examples of such programs are the Rajiv Gandhi Udyami Mitra Yojana, which helps individuals who have undergone vocational training to become entrepreneurs, and the Trade Related Entrepreneurship Assistance and Development scheme, which provides active support to India's female entrepreneurs.<sup>33</sup>

Top five factors of Government-tailored support that would be most effective



Source: EY G20 Entrepreneurship Barometer 2013

# 44%

of local entrepreneurs intend to use teaming or mentoring programs in the next three years

<sup>30</sup> "SAP commits Rs 2.35 crore to National Entrepreneurship Network for mentoring initiative," *The Times of India website*, timesofindia.indiatimes.com, accessed 24 June 2013.

<sup>31</sup> "Home," *Entrepreneurship Development Institute of India website*, ediindia.ac.in, accessed 8 July 2013.

<sup>32</sup> "Home," *Centre of Innovation, Incubation and Entrepreneurship website*, ciieindia.org, accessed 8 July 2013.

<sup>33</sup> "Trade Related Entrepreneurship Assistance and Development (Tread) Scheme for Women," *Government of India: Development Commissioner (MSME) website*, dcmsme.gov.in, accessed 5 July 2013.

### Rajiv Gandhi Udyami Mitra Yojana scheme

The Rajiv Gandhi Udyami Mitra Yojana scheme, launched in 2008, provides financial assistance to selected lead agencies, such as Udyami Mitras, which provides support to first-generation entrepreneurs on establishing and managing new enterprises, dealing with procedural and legal hurdles, completing related formalities and obtaining bank credit. As of May 2012, 678 Udyami Mitras were established in 28 states and three union territories. So far, close to 20,000 entrepreneurs have registered with the program.

## Rankings table

Ranking	Access to funding	Score	Entrepreneurship culture	Score	Tax and regulation	Score	Education and training	Score	Coordinated support	Score
1	United States	7.12	United States	7.67	Saudi Arabia	6.40	France	6.58	Russia	6.23
2	United Kingdom	6.86	South Korea	7.53	Canada	6.34	Australia	6.53	Mexico	5.89
3	China	6.75	Canada	7.45	South Korea	6.34	United States	6.50	Brazil	5.87
4	Canada	6.62	Japan	7.28	United Kingdom	6.19	South Korea	6.40	Indonesia	5.84
5	Australia	6.48	Australia	7.18	South Africa	6.10	EU	6.25	India	5.76
6	South Africa	5.95	United Kingdom	7.00	Japan	6.07	United Kingdom	5.98	China	5.75
7	Japan	5.81	Germany	6.88	Germany	5.84	Germany	5.89	Turkey	5.66
8	South Korea	5.75	EU	6.07	Australia	5.75	Argentina	5.85	South Africa	5.65
9	Brazil	5.67	France	5.68	Russia	5.65	Canada	5.81	Argentina	5.64
10	Indonesia	5.53	Russia	5.05	EU	5.48	Brazil	5.78	Germany	5.53
11	India	5.48	India	4.95	Turkey	5.45	South Africa	5.67	France	5.41
12	EU	5.41	Brazil	4.88	Indonesia	5.38	Saudi Arabia	5.66	Saudi Arabia	5.39
13	Saudi Arabia	5.25	Italy	4.67	United States	5.33	Italy	5.47	EU	5.37
14	Germany	5.23	South Africa	4.33	Mexico	5.21	Russia	5.46	South Korea	5.36
15	Russia	5.04	Turkey	4.30	France	5.12	Mexico	5.32	Australia	5.31
16	France	4.74	Argentina	4.06	China	5.07	Japan	4.72	Canada	5.29
17	Turkey	4.57	Mexico	3.96	Brazil	4.83	Turkey	4.39	United Kingdom	5.19
18	Mexico	4.42	China	3.88	Italy	4.76	China	4.35	Japan	5.04
19	Italy	4.03	Indonesia	3.80	India	4.39	Indonesia	3.88	Italy	4.97
20	Argentina	3.27	Saudi Arabia	3.38	Argentina	4.31	India	3.49	United States	4.85

### About the EY Entrepreneurship Barometer model

The EY G20 Entrepreneurship Barometer 2013 introduces a model for scoring countries across the five pillars of entrepreneurship.<sup>34</sup> The purpose of this model is to help identify areas of relative strength by country and where opportunities for improvement lie.

The model is composed of qualitative information (from our survey of more than 1,500 entrepreneurs) and quantitative data based upon entrepreneurial conditions across the G20 economies. For each pillar, excluding coordinated support, this information is

weighted 50-50 between qualitative and quantitative inputs. For coordinated support, given a lack of quantitative indicators, this is based solely upon the survey responses.

The advantage of integrating both the survey results and quantitative data is the ability to provide an assessment of the current level and the trends in a G20 entrepreneurial ecosystem based upon local sentiment. To this end, official statistics (for example, on the average time taken to start a business or the tax burden) provide a baseline for each member country.

Survey information is an important complement to the baseline picture these statistics provide. Entrepreneurs' feedback on the pace of improvement or deterioration in conditions in their country's entrepreneurship ecosystem is incorporated in the model alongside the hard statistics.

Full details of the Barometer's methodology can be found on page 66 in the main EY G20 Entrepreneurship Barometer 2013 report.

<sup>34</sup> Note: As per the G20 membership, this list comprises 19 individual countries and also the European Union (EU), as an additional member. Our rankings show the performance of each country, along with an aggregate performance for the 27 EU Member States.

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