

'Start-ups are more an engine for innovation and growth rather than job creation'

OUR BUREAU

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India may have the world's third largest start-up ecosystem, but that has not helped it create enough jobs and thwart 'job-less' growth. Start-ups have created about 80,000 jobs in 2016 and this is expected to rise to 250,000 annually by 2020. It is estimated that anywhere between 8-10 million enter the job market every year.

While the average number of employees in large listed companies is about 35 per ₹100 crore of market value, in the case of established start-ups it is only 0.04, which translates to 875:1, according to IIT Madras' 10th Annual Report on Indian Venture Capital and Private Equity, released on Saturday at TIECON2018.

In 2017, about 1.40 lakh com-



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panies were formed as against 32,089 registered in 2009, a 9 per cent growth. The report analysed the number of employees per hundred crore of market value in both large publicly-listed companies and established start-ups.

"Start-ups operate lot more efficiently in terms of manpower,

and thus should not be seen as a major engine for job creation. While the employee to market value ratio would definitely increase as the start-ups become mature and increase in size, start-ups are more an engine for innovation and growth rather than job creation, said A Thillai Rajan, Professor, Department of Management Studies, IIT Madras, and editor of the report.

However, start ups contribute in many other ways such as being able to provide a new flavour in the job market that is difficult to replicate in the existing companies. While established companies offer a relatively stable career path, structured learning through institutionalisation of systems and processes, start-ups are able to provide a more unstructured and flexible work en-

vironment that meets the aspirations of those who seek such work environments, he told *Business Line*.

Average returns that start-ups have been able to give VCPE investors have been 13.25 per cent. In the case of start-ups in Fintech sector, a higher proportion of the exits provided returns lower than the mean, whereas in the case of technology start-ups, it was the reverse. Cities or investors did not play an important role in magnitude of returns.

He said what differentiated companies that provided returns higher than the mean were four factors: quantum of investment, staging, syndication, and maturity of the venture. Exit data, available for 1,624 companies was obtained from VCC edge, the report said.