A STUDY ON THE FACILITATORS AND BARRIERS OF NEW VENTURES

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Abstract: The unemployment rate in India has increased from 17.7 million to 17.8 million in 2017 which tends to further increase in 2018. In order to eradicate the stagnation in the job creation of our country new ventures are cropping up. According to an Infosys Co-founder, a start-up or new venture is defined as “a business within the first three years of its existence, employing 50 people or less with revenue of Rs. 5 crores or less”. This paper enlightens the importance of new venture in the Indian economy by explaining how it fosters innovation and entrepreneurship. Lewin’s change model has been enumerated by keeping in mind the facilitators and barriers for new ventures. Based on the facilitators and restraining forces a conceptual model has been developed.

Index Terms - Start Ups; New Ventures; Facilitators; Barriers; Force Field Analysis

I. INTRODUCTION

The unemployment rate in India has increased from 17.7 million to 17.8 million in 2017 which tends to further increase in 2018 (Times of India, 2017). In order to eradicate the stagnation in the job creation of our country an environment conducive for the birth and growth of start-ups or new ventures is set up which in turn helps to promote innovation and foster entrepreneurship. Start-up companies is nothing but entrepreneurial ventures which are in their initial stage of development (Andaleeb & Singh, 2016). Start-up is defined “as an entity, incorporated or registered in India which is not prior to seven years from the date of its incorporation, with annual turnover not exceeding INR 25 crores in any preceding financial year and working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation (Department of Industrial Policy & Promotion, 2015). According to an Infosys Co-founder, a start-up or new venture is also defined as “a business within the first three years of its existence, employing 50 people or less with revenue of Rs. 5 crores or less”. Various schemes like Self Employment & Talent Utilization (SETU), Digital India, India Aspiration Fund, SIDBI Make in India Loan for Small Enterprises (SMILE), Electronic Developments Fund, etc are provided by the Government for nurturing start-ups which helps in maintaining sustainable economic development of our country (Sanghi & Srija, 2016).

II. NEED FOR START-UPS OR NEW VENTURES

Globalization, growth of IT industry, downtrend in Chinese economy, Middle East human cataclysm, current economic status in UK & US are said to have a major effect on the Indian economy. In recent times the economy of our country is found to be in a makeover phase with various novel strategies entering into the field helping in the enhancement and emphasizes of start-ups (Anand, 2016). Despite many obstacles the rate of start-ups are found to increase which aids in boosting the country’s economy (Badra & Sharma, 2016).

III. CURRENT STATE OF START-UPS OR NEW VENTURES IN INDIA

- India is found to be the third major start up hub.
- The average age of the founders of start-ups is around 28 years.
- Women contribute to around 9% of the overall start up founders.
- Overall technology based start-ups are said to augment in 2020 from 4300 to 11500.
- Start-ups are majorly funded by metro city investors.
- Female entrepreneurs are found to have equal shares as that of male entrepreneurs in 2014.
- Venture Capital and Private Equity firms were doubled in number (NASSCOM Start up India Report, 2015).
IV. REVIEW OF LITERATURE

4.1. FACILITATORS

Various research studies state that shared leadership plays a significant role in the extension and expansion of start-ups and also helps in fostering innovation and creativity (Yukl, 2002; Day et al., 2004). It is preferred over vertical leadership (Ensley et al., 2006). Thus shared leadership acts as a driving force for the creation of start-ups. Other entrepreneurial people are those supporting people who help in the setting up of start-ups. They are advisors, mentors, founders of other businesses who could offer suggestions in creating start-ups (ASSOCHAM, 2016). Therefore other entrepreneurial people are found to be the driving force for start-ups. For the start-ups to flourish in their performance appropriate human and social capital is required. Human and social capital is nothing but individuals possessing the necessary technical and social skills for the efficient functioning of the start-ups. Hence human and social capital is found to be a facilitator for start-ups (Bosma et al., 2002). The current entrepreneurs have a better position than before (Goyal et al., 2011). In order to further ameliorate the status of entrepreneurs, the Government has introduced various initiatives (Dutta, 2006). Protection of intellectual property of a business through various legal regulatory measures, introduction of web portal & mobile app for guiding the founders of start-ups, free entry and faster exist strategies, launch of Atal innovation mission along with SETU, Digital India, India Aspiration Fund, SIDBI Make in India Loan for Small Enterprises (SMILE), Electronic Developments Fund are some of the schemes launched by the Government in order to foster start-ups in the country (Sanghi & Srija, 2016; Wagh, 2016). Thus various schemes introduced by the Government acts as driving force for start-ups. Research and Development activities carried out in universities helps in formulating the necessary guidelines for creating a start up in order to boost the economy by studying the industrial environmental conditions of a country. The industry academia partnership is critical for successful setting of a start-up (Badra & Sharma, 2016). Therefore research and development activities are found to facilitate the setting up of start-ups. Credit guarantee in the form of monetary capital is as important as human capital for start-ups. Financial support in the form of Angel investors, seed, venture capital and private equity funds, business incubation centres facilitates the setting up of start-ups (ASSOCHAM, 2016). Thus credit guarantee and financial support acts as a driving force for start-ups.

4.2. BARRIERS

People are conditioned to depreciate failure in the Indian culture. This attitude of the Indians makes them risk averse which in turn acts a major hindrance for launching start-up’s. On the whole people are also not aware of the start-ups efficiency to promote job creation and economic growth of the country. Thus culture and unawareness acts as a restraining force for start-ups (Singh & Kaur, 2016). Social issues such as improper mentorship or guidance, market structure, consumer behaviour and location hinder the setting up of start-ups. The structure of the Indian market is hugely fragmented and unorganized which creates a barrier for start-ups. The behaviour of consumers varies drastically which in turn questions the efficient functioning of the start-ups. Every location is unique and different from the other which makes it difficult for the start-up to run its business effectively. Therefore social issues are considered to be the forces restraining the setting up of start-ups (Graham, 2012). It is imperative for the start-ups to augment its business. For this external funding is required. Due to improper funding start-ups are struggling to bridge the gap between revenue and burn rate. Thus financial issues act as restraining forces to start-ups (Hindu Business Line, 2015). Sustainability issues are caused when the founders of the start-ups are not aware of the demands of the external environment in which the start-up is to be launched. This also affects the long term functioning of the start-up after its inception. Cyber security also acts as a barrier to start ups when important documents are not backed up properly using technology in the start-ups. Thus sustainability and technological issues are considered to be the forces restraining start-ups (ASSOCHAM, 2016). In order to launch a start-up lots of regulatory procedures are prevailing which require multiple clearances. This process is time consuming which hinders the launching of a start-up. Thus regulatory hurdles act as restraining forces to start-ups (Singh & Kaur, 2016). Taxes must be exempted for start-ups as it creates an additional financial burden to the founders of start-ups. Therefore taxation issues are considered to be the forces restraining start-ups (ASSOCHAM, 2016).

4.3. FORCE FIELD ANALYSIS – START-UPS OR NEW VENTURES

"Change in the form of Start-Ups or New Ventures can occur only when the driving forces (facilitators) exceed restraining forces (barriers)."
V. CONCLUSION
There is a tremendous growth of start-ups in today’s scenario. Idea generation accompanied with risk taking propensity turns normal people into founders of start-ups. The impact created by various other factors in the setting up of start-ups are mentioned in the paper. Start-ups are not only responsible for the sustainable economic development but are also required to minimize the stagnation of job creation in the country. Start-ups by fostering innovation and entrepreneurship helps in transforming a job seeker nation into a job creator nation. Thus it reduces the unemployment gap. The driving forces (facilitators) must exceed the restraining forces (barriers) in order to implement change in the form of a start up in a slowdown economy. Thus it can be concluded that start-ups act as a panacea for boosting the country’s economy.

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