

A Case Study of Startup India: Innovation

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Abstract— The objectives of a start-up are to be one's own boss and to create employment to others which warrants set of endurance and sacrifice. Big population with high percentage of middle income group, educated youth with technical background, IT domination, high internet and mobile penetration are several of the drivers that have thrown up opportunities for spreading startup revolution in India. The 'Make-in-India' initiatives and other government schemes have also given a boost to startups with many individuals entering the fray. Starting a venture is a well planned and disciplined exercise with due consideration of both internal and external factors that may impact the sustainability of the venture. The plan behind the venture, market size, revenue and profit targets are some of the essential factors that need to be clearly defined before embarking on the journey. Time, team work and tenacity are main elements which determine entrepreneurial success. Infrastructure, government regulations and availability of finance at different stages of growth could be some of the challenges for startups. In fact, history is replete with examples of startups which began with big fanfare but ended as damp squibs within a short span of time due to various reasons. The paper discusses few issues and challenges that an Indian startup has to face and the opportunities that the country can provide in the current ecosystem.

Keywords— Entrepreneurship, Government Plans, Initiatives, Innovation, Startups, Strategies

I. INTRODUCTION

A startup is a business structure powered by disruptive innovation, created to solve a problem by delivering a new product or service under conditions of extreme uncertainty. Many entrepreneurs and renowned business magnates define startup as a culture and a mentality of building a business upon an innovative idea to solve critical pain points[1].

Since last few months everybody is talking about the start-ups. Even many events have been organized regarding the same. Basically Start-up is a refined and renewed form of an entrepreneur. It is a juvenile organization that has just started to emerge. It can be new entrepreneurial venture or a new business or a new partnership firm designed to reach for a climbable business model. On 15th August 2015, PM Narendra Modi announced this initiative at the Red Fort as Start-up India and on 16th Jan 2016 it was officially flagged by Finance minister Arun Jaitley. In this campaign the main aim of the govt is to provide maximum help and hold for the new emerging businesses and ideas. The support will be in the form of finance, technology, economic, social as well as environment.

As it is a known fact that when someone starts a new enterprise or tries to get into entrepreneurship they face many problems like finance, land permissions, environmental clearance, foreign investment proposals, family support etc. It is one of the much needed initiative plan of Govt of India. This initiative focuses on filling the gap in the economy and its development and has the

objective to fire the entrepreneurial blood at the bottom level. It has brought lot of positivity and confidence among the entrepreneurs of India. According to PM Narendra Modi the start-ups, its technology and innovation is exciting and effective instruments for India's transformation. An idea can be converted into a start-up. Even sometimes the crisis becomes the opportunity and it gives birth to the start-ups. Many times we have seen that we have an idea but we do not dare to initiate it or we do not find it worthy. On the other hand other people take that idea as an opportunity and mobilize into reality. The main objective of the govt. is to reduce the load on the start-ups hence allowing them to concentrate fully on their business and keeping the low cost of adherence[2].

II. OBJECTIVES OF THE STUDY

- To understand the initiative for Start Up India
- To study the awareness about Start Up program considering recent changes by the government
- To find out the risks and challenges faced by young entrepreneurs
- To suggest the possible outcomes

III. REVIEW OF LITERATURE

It has become increasingly clear in the recent years that the conceptualization of leadership must be broadened beyond that of top-down heroic leaderships. Shared leadership process appends considerable awareness into the staging process of entrepreneurship. This concept is quite important for the expansion and extension of a new start up. In her research paper titled "Start Up Initiative", Akansha Dutta has discussed about the government policies, plans, strategies and schemes related to Start Up Program. She states that Start-Ups are the effective means to encourage the entrepreneurs and also provides Job Opportunities.

Dr. Shailja Badra and Vivek Sharma, in their paper titled "Start up India-New Opportunities for the Entrepreneurs" have thrown the light on the important issue of making capital more accessible and cheaper, easier patent filing process, giving research and development credits and easy entry and exit etc. Their document has rolled out the success to young entrepreneurs[3].

Sharma, (2013), made a study on women entrepreneurs in India. She concluded that women entrepreneurs face many problems like social barriers, legal aspects, lack of education, family support etc. She also explained the various factors like pull and push factors affecting entrepreneurship. According to her women have the probable and firmness in setting up the enterprise and fighting against the all odds[4].

Caliendo, Kunn, Wiebner and Hogenager(2015) ,finds the difference between subsidized start-ups out of unemployment and non subsidized start-ups out of non

employment. It reveals that the initiator of the subsidized start-ups have no lack of conventional education. Although they have less employment and less exposure to the industry. And finally they concluded that the wealth stock restriction among the unemployed in respect to availability of personal equity and outbreak of loans is the major constraint[5, 6]. Department of Industrial Policy and Promotion (DIPP) define a startup as an entity incorporated or registered in India with following parameters:

- Established not prior to seven years, (for Biotechnology Startups not prior to ten years)
- With annual turnover not exceeding INR 25Cr in any preceding financial year, and
- Working towards innovation, development or improvement of products or processes or services,
- It is a scalable business model with a high potential of employment generation or wealth creation

It is to be noted that such entity is not formed by splitting up, or reconstruction, of a business already in existence. Also, an entity shall cease to be a startup if its turnover for the previous financial years has exceeded INR 25cr or it has completed 7 years (biotechnology startups 10 years) from the date of incorporation/ registration('Startup India', 2017)

IV. REASONS BEHIND SETTING UP A START-UP

There are various reasons behind setting up the start-ups. Few but the important reasons for setting the start-up are as follows[7,8]:

- A. **Monetary gains**- Everyone wants more and more money. And the best way to get it by having your own business. In the job one gets the fixed amount of salary but in own business one can get monetary gains as per his choice.
- B. **Secured job**- Job security is one of the basic needs of human beings and it is also referred in the Maslow need hierarchy theory. If job is not secured one cannot work with full zeal. And on the other hand when one works in the business with the tag of a owner the zeal and enthusiasm comes automatically and the job is secured.
- C. **Job creation**- When any entrepreneurship is started people tend to create jobs for others also. An individual can start a business but cannot run it alone. So the opportunity of jobs being created
- D. **Own brand**- It always feel good when one tells the other person that the particular brand belongs to him or he is the owner of that developing brand. It gives immense pleasure to introduce you as an entrepreneur.
- E. **Quality of life**- Due to the impact of globalization and e-commerce everyone wants to be at ease and desires to the best quality of life. Being as an owner one has the freedom to choose the life accordingly.
- F. **Be your boss**- It's good not to have a boss. In the business your are not answerable to anyone except yourself.
- G. **Converting vision into reality**- Everyone has a vision but very less people turn it into reality. While owing an entrepreneur you can convert your vision into reality.
- H. **Pride**- It is a thing of pride when you introduce yourself as the owner of the start-up or an entrepreneurship.
- I. **Economic independence**- Having more money its ones decision where to put that money. One has the more economic independence.

- J. **Changing the world**- Every time we talk about changing the world with lots of ideas but we never take the initiative to do so. People who take the initiative can change the world according to them, if not the world till they make a difference.
- K. **Learning different forte**- Once you start the business you learn lot many skills which were earlier not the part of your personality. Some skills are the demand of the business and some skills are the demand of the personality.
- L. **Establishing your dreams**- We all have dreams but we never share them with anyone because we fear that people will laugh on us. But there are some people who rise above this laughter and fulfill their dreams.
- M. **Social responsible**- When you have the economic independence you can always choose where you want t spend your money. And generous people are always socially responsible. If one wants to help the humanity than the socially responsible start-ups come in the play.
- N. **Share talent**- During the jobs we are not able to showcase our talent. But once we are into the business. We can show our talent and the creativity to the world.
- O. **Legacy**- Nowadays the competition is tough and in the coming future there will be less jobs for the future generation. So it's very important to keep the legacy going on.
- P. **More socially involved**- Some people are very much socially involved. They love making friends and networking. This helps in the promotion of any start-up and even can link to start a new business

V. STEPS TAKEN BY THE GOVERNMENT

The govt. plays an significant responsibility for establishing the new enterprises[9, 10]. The plans, policies, initiatives, strategies of the govt. involve the entrepreneurs. Following are the 19 plans as an initiative for start-ups:

- 1) **Self certification**: The chief objective of the govt. is to reduce the load on the startups hence allowing them to concentrate fully on their business and keeping the low cost of adherence. It will include labor laws and environment related laws.
- 2) **Start-up India hub**: A single contact point will be generated for the start-ups in India, which will enable them to replace knowledge and access to funds.
- 3) **Register through application**: An online portal, will be available in the form of a mobile application, which will help entrepreneurs to interact with the govt. and other regulatory officials.
- 4) **Patent protection**: A monitoring system for patent inspection at reduced costs is being created by the central government. It will enhance perception and acquisition of the Intellectual Property Rights (IPRs) by the entrepreneurs
- 5) **Rs 10,000 crore fund**: The government will develop a pool with a starting aggregation of Rs 2,500 crore and a total aggregation of Rs 10,000 crore over four years, to help new entrepreneurs. The important role will be played by the Life

Insurance Corporation of India in blossoming this collection. The fund will be managed by a group of professionals selected from the start-up industry.

- 6) **National Credit Guarantee Trust Company:** A National Credit Guarantee Trust Company (NCGTC) will be created with a budget of Rs 500 crore per year for the next four years to help the drift of funds to entrepreneurs
- 7) **No Capital Gains Tax:** Investments through venture capital funds are exempted from the Capital Gains Tax. The same policy will be executed on start-ups.
- 8) **No Income Tax for three years:** Start-ups would not pay Income Tax for the first three years.
- 9) **Tax exemption for investments of higher value:** In case of ventures of higher amount than the market price, they will be exempted from paying tax
- 10) **Building entrepreneurs:** Creative study plans for students will be implemented in over 5 lakh schools. Apart from this, there will also be an annual businessman grand revocation to develop high class businessmen.
- 11) **Atal Innovation Mission:** This Mission will be propelled to revitalize ideas and motivate creative youngsters.
- 12) **Setting up incubators:** A private-public partnership model is being considered for 35 new incubators and 31 innovation centers at national institutes.
- 13) **Research parks:** The government plans to lay seven innovative research parks, including six in the Indian Institute of Technology campuses and one in the Indian Institute of Science campus.
- 14) **Entrepreneurship in biotechnology:** The government plans to construct 5 advanced biotech nests, 50 advanced bio incubators, 150 technology transplant offices and 20 bio-connect offices in the country.
- 15) **Dedicated programs in schools:** The government plans to inculcate transformational programs for scholars in over 5 lakh schools.
- 16) **Legal reinforce:** A committee of moderators will give legal help and reinforcement in complying patent applications and other papers.
- 17) **Rebate:** An exemption value of 80 percent of the total value will be given to the start ups on filing the patent applications.
- 18) **Easy rules:** standards of communal acquisition and mandate of switching have been easier for the entrepreneurs.
- 19) **Faster exit:** If an entrepreneur is unsuccessful than the government will help him to get a particular resolution for their complication

VI. SUCCESSFUL LEADING START UPS IN INDIA

In last one year India has seen several start-ups, which helped in the growth of the economy. In each sector like retail, hotel industry, medicine, education, transportation etc, start-ups emerged like a boom. Few of the leading start-ups are Flipkart, Oyo Rooms, Chaayos, Ola cabs, Paytm,

Redbus, Zomato, Zivame, Justdial ,Pepperfry, LImeroad, Quikr, Cardekho, Practo, Urbane ladder, policybazar, Grofers, Shopclues, Nearbuy, Voonik, Inmobi, Firstcry, Yepme, Mobikwik, Bigbasket, Nykaa, Hopscotch, Bluestone, Caratlane, Paperboat, Gojavas, Craftsvilla, Roposo, Voylla, Babyoye, Naaptol etc[11,12].

VII. ISSUES AND CHALLENGES OF STARTUPS

A successful start-up cannot start a business just with passion and an idea. A high level of leadership skills with clear understanding of market, excellent communication skills, maturity to see things in right perspective along with the ability to take calculated risks are required on the part of the entrepreneur. Lack of awareness, multiple clearances, unorganized market, poor infrastructure in Tier 2 /3 cities, lack of mentoring , stringent exit policies, corruption/red tape, technological risk, regulatory obstacles and lack of reforms keeping pace with the quick evolving market changes are some of the challenges as per Rashmi Gupte, Principal (Legal) of Light box India Advisors Private Limited[13, 14].

Some of the most important issues and challenges are discussed below:

- A. **Financial Resources:** Accessibility of finance is critical for the startups and is always a problem to get sufficient amounts. A number of finance options ranging from family members, friends, loans, grants, angel funding, venture capitalists, crowd funding etc are available. The requirement starts increasing as the business progresses. Scaling of business requires timely infusion of capital. Proper cash management is critical for the success of the startups. A current report paints a gloomy picture with 85% of new company's reportedly underfunded indicating potential failure.
- B. **Revenue Generation:** some startups fail due to poor income generation as the business grows. As the operations increase, expenses grow with reduced revenues forcing startups to concentrate on the funding aspect, thus, diluting the focus on the fundamentals of business. Hence, revenue generation is significant, warranting efficient management of burn rate which in general parlance is the rate at which startups expend money in the initial stages. The challenge is not to generate enough capital but also to expand and sustain the growth.
- C. **Team Members:** To discover and hire the right kind of talent for the business with skills to match growing customer expectations are one of the biggest challenges. Apart from founder, startups normally start with a team consisting of trusted members with complementary skill sets. Generally, each member is particular in a specific region of operations. Assembling a good team is the first major requirement, failure to have one sometimes could break the startup. According to a survey, 23 percent startups failed because members did not work as a team.
- D. **Supporting Infrastructure:** There are a number of support mechanisms that play a important role in the lifecycle of startups which include incubators, science and technology parks, business development centers etc. Lack of access to such support mechanisms increases the risk of failure.

- E. **Creating Awareness in Markets:** Startups fail due to lack of attention to limitations in the markets. The environment for a startup is typically more difficult than for an established firm due to uniqueness of the product. The situation is further difficult for a new product as the startup has to build everything from scratch.
- F. **Exceed Customer Expectations:** The most important challenge is gauging the market require for the product, existing trends, etc. Innovation plays an essential role, since, that the startup has to fine-tune the product offerings to suit the market demands. Also, the entrepreneur should have thorough domain knowledge to counter competition with appropriate strategies. Due to new technologies that are emerging, the challenge to give over and above an earlier innovation is pertinent.
- G. **Tenacity of Founders:** Founders of startups have to be tough when the going gets tough. The journey of starting a venture is fraught with delays, setbacks and problems without adequate solutions. The entrepreneur needs to be persistent, persuasive, and should never provide up till he achieves desired results. History is replete with startups who gave up the fight when things went incorrect. Sometimes the product could be ahead of its time or may require complimentary products for the use by the customers. For example, Apple had to delay introduction of iTunes till the regulations favored the launch. It is also relevant to quote Steve Jobs who by commenting "A lot of times, people don't know what they want until you show it to them" reiterates the fact those products from startups mostly fall in the "new and untried" category where the success rate is minimal.
- H. **Regulations:** Starting a business requires a number of permissions from government agencies. Although there is a perceptible change, it is still a challenge to register a company. Regulations pertaining to labor laws, intellectual property rights, dispute resolution etc. are rigorous in India which takes about 30 days to comply compared to just 9 days in OECD countries? Also, as per World Bank report, "World Bank Ease of Doing Business", India ranks 142 out of 189 economies.
- I. **Growth Decelerators:** Some of the agencies which are part of the startup ecosystem themselves can sometimes become hurdles in the growing stages. This needs proper coordination among the organizations for mutual advantage.
- J. **Lack of Mentorship:** Milan Hoogan, Vice President -Sales and Marketing at Erfolg Life Sciences feels that lack of proper guidance and mentorship is one of the biggest problems that exist in the Indian startup ecosystem. Most of startups have brilliant ideas and/or products, but have little or no industry, business and market experience to get the products to the market. It is a proven example that a brilliant idea works only if executed promptly. Lack of adequate mentoring is the major challenge which could bring a potentially good idea to an end.

- K. **Lack of a Good Branding Strategy:** Absence of an effective branding strategy is another concern that prevents startups from flourishing at an earlier pace.

VIII. OPPORTUNITIES FOR STARTUPS

In spite of challenges and problems that startups are facing, Indian markets provide a plethora of opportunities to discover solutions tailored to solve them. Below is a list of few of the opportunities that are discussed for consideration by startups [15, 16, and 17].

- A. **India's huge Population:** The population of India is a large asset for the country. By 2020, it is expected that the working age population would surpass the non-working population. This unique demographic advantage will offer a large opportunity to any startup. Various infrastructure issues and the bottom- of- the- pyramid market would offer huge opportunities for the startups.
- B. **Modify of Mind Set of Working Class:** Traditional career paths will be giving way to Indian startup space. Challenging assignments, good compensation packages would attract talented people to startups. Also, it is seen that several high profile executives are quitting their jobs to start or work for startups. To reinforce the trend being seen, a survey conducted by Economic Times also confirmed that the number of students joining startups and e-commerce companies has grown considerably in the recent years [18].
- C. **Massive Investments in Startups:** Huge investment in Indian startups from foreign and Indian investors is taking place. In 2015, more than 300 deals were done by 300+ angels and venture capital/ private equity players with around \$6.5-billion (Rs 42,300Cr) investments making India the most sought after destination for investments. Some of the active players are New York-based Tiger Global Management, Russian company- DST Global, Japanese telecom giant Softbank, Kalaari Capital, Sequoia Capital and Accel Partners. More and more are going to join the bandwagon as this is the tipping point in Indian commerce for making good returns by backing potential unicorns.

IX. CONCLUSION

Now days, start ups are growing like a grapevine. Both male and females are getting into it. Even females are coming with further ideas and they are taking the risk to maintain their credibility. Indian start-ups attempt to make the start up environment with essential education, talent, innovation and incubators with correspondence to funding agencies. Now the govt. is also supporting the Start-ups. Start-up is an opportunity for an entrepreneur to educate and inspire others while some are thinking of how to do and what to do. Although, entrepreneurs are facing problems but still they are rising like a sun. They have the determination to setup and divert their energy to plan, support and execute their dreams and contributing to the growth of the economy. This new initiative of start-ups pledge rapid approvals for starting the business, easier exits, tax rebates and faster registration for

the patents. This initiative holds the potential of creating the jobs when the manufacturing sector is having a downfall. For any new idea to become successful venture it requires appropriate support and mentoring

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