

# ROLE OF BUSINESS INCUBATORS ON STARTUPS SUCCESS: INDIAN PERSPECTIVE

<sup>1</sup>Dr.S.Pratibha, Professor  
Department of Business Management  
Aurora's Post Graduate College, Ramanthapur, Hyderabad, India.

**Abstract:** Business incubation is a unique and highly flexible combination of business development processes, infrastructure and people designed to nurture new and small businesses by helping them to survive and grow through the difficult and vulnerable early stages of development. Incubators provide numerous benefits to owners of startup businesses. Their office and manufacturing space is offered at below-market rates, and their staff supplies advice and much-needed expertise in developing business and marketing plans as well as helping to fund fledgling businesses. Companies typically spend an average of two years in a business incubator, during which time they often share telephone, secretarial office, and production equipment expenses with other startup companies, in an effort to reduce everyone's overhead and operational costs. A startup company is an entrepreneurial venture which is typically a newly emerged, fast-growing business that aims to meet a marketplace need by developing or offering an innovative product, process or service. Incubation provides mixed support for the entrepreneur from the startup companies and the start up create jobs inside the incubators. Post incubation relates to the successful graduated companies which each startup companies has been reached the maturity phase then they will leave the incubator and standing free in the local market. In the extension phase, the graduated companies will expand in the market with positive impact on the economic development because the outcomes from the incubators included the three factors; entrepreneurship, graduated companies, and job created overall factors lead to economic development and will diversify the economic growth. The present paper describes the impact of business incubators on the startup success of developing countries. This paper tries to study about the top twenty startup incubators in India which lead to entrepreneurial success.

Keywords: Business incubators, economic development, entrepreneur, innovation, Small business.

## I. INTRODUCTION

**“I see start ups technology and innovation as exciting and effective instruments for India’s transformation.” --- Shri Narendra Modi, PM.**

A business incubation program is an economic and social program which provides the intensive support to start-up companies, coach them to start and accelerate their development and success through business assistance program. The main goal is to establish the successful start up companies that will leave the incubators financially viable and freestanding. In addition, the startup companies outcomes are jobs creation, technology transfer, commercialize new technologies and create wealth for economies. There are many definitions for business incubation. Business incubation programs are aimed at promoting economic development of its community by supporting its startup companies and their business development. These companies offer services to support the establishment and development of new/small and medium companies.

The services provided by these programs are as follows:

- 1) Startup consulting and business planning
- 2) Consulting in all areas important for business development and growth
- 3) Consulting for and /or access to financing and
- 4) Training and development

It is widely known that business incubation is a tool for economic development. They help to strengthen the local economies because their small business tenants and clients survive inside the incubators with a survival

rate of 90%. This further leads the government to fund and support business incubators which help in increasing the number of successful startup companies in the community.

Business incubation process is aimed at supporting the development and scaling of growth-oriented, early-stage enterprises. This process provides entrepreneurs with an enabling environment at the startup stage of enterprise development to help to reduce the cost of launching the enterprise, increase the confidence and capacity of the entrepreneur, and link the entrepreneur to the resources required to start and scale a competitive enterprise. Entrepreneurs accepted the business incubators stay until they reach a milestone in terms of sales revenue or profitability. It is aimed at assisting growth oriented entrepreneurs in their quest to grow and become more competitive.

There are four types of incubator business models: university-based, government owned, non-governmental or not for profit entities, or private sector companies. Regardless of the type of ownership structure, one of the most significant challenges of business incubators is to achieve financial sustainability i.e., earned revenue covering all business incubation expenses. Business incubators are also classified by specialization sector e.g. Technology Incubator or mixed incubator catering for mixed tenants in different business sectors/industry. In addition the business incubators differ in their structures, policies, tenants, management, funding and their outcomes in terms of; are they achieving the desired results they were created and best practice in incubation. Business incubators stay market-oriented and provide services that are truly needed by their client companies. They assist the entrepreneurs at the stage in their business life-cycle when they are most volatile and cash-strapped. Another important issue often raised is to do with the trust that must be established between the incubator staff and the entrepreneur.

Startup incubators are companies that assist new startups in their initial phase of development by providing various services. Incubators share both tangible and intangible resources such as equipment, office space, services such as accounting, computing and legal services. They also assist startups in raising startup capital and perform various networking activities to reduce the financial burdens and resource issue. Incubators help entrepreneurs in building sustainable business environment while benefitting the broader corporate communities.

There has been a flurry of new start-ups and innovations in India in recent years. The Indian start-up ecosystem has evolved, being driven by factors such as growth in number of funds, evolving technology, higher smart phone and social media penetration, growth in incubators and accelerators, younger demographics etc. Recent government initiatives like 'Start up India, Stand up India' India will only result in additional momentum in this space. The startup event conducted by the government of India contains several positive initiatives for Indian startups that look at easing up various regulatory, legal, financial and other challenges faced by them.

Business incubation services can be divided into three pre incubation, incubation and post incubation this incorporates different processes and procedures that govern the incubator-incubate (Tenant) relationship. Pre-incubation includes the process of attracting, application, vetting of potential tenants of the incubator. The terms and conditions including agreement on rent payment, duration in the incubator and use of the facilities. Incubation includes support from idea crystallization and development, prototype building to commercialization.

The key performance indicators on progress report, gaps identification and filling with the help of incubator management, networking, financing, marketing and business acceleration. Post incubation this is the period after graduation from the incubator where the tenant business has exited the incubator and follow up on progress by the incubator staff to monitor progress and maintain relations with previous tenant firms. This is usually done virtually, through physical visits and through incubator seminars and workshops invitations.

Business Incubation is a model of building entrepreneurial capacity; it provides start-ups with networks for building relationships. Incubators offer training, business support, technology support, infrastructure and mentoring. These elements are crucial in survival of start-ups without much capital to develop into a full fledged enterprise.

As a part of the essential startups, among the top 20 start up incubators of India few prominent startups which lead to entrepreneurial success are explained below.

1. The Amity Innovation Incubator founded in 2008 is the one which was supported by Department of Science and technology, located at Noida. Its focus areas are rural innovation and social entrepreneurship, information and communication , education, nanotechnology and material sciences. Its notable startups are Apnacircle.com, Anduril Technologies.
2. Agile Prime was founded in the year 2011 at Bengaluru, with the focus area Of Mobile internet, e-commerce and tablet/mobile app. Its notable startups are Ezetap, HackerEarth.
3. Indian Angel Network was found in 2010, at Delhi, with the focus areas of IT/ITES, Telecom, Mobile VAS, Gaming, Animation etc. with the notable startups like IndiaCollegeSearch, Mukunda Foods and Skill boost.
4. The Gujarat Foundation of Entrepreneurial Excellence (GFEE) is an incubation centre located at Ahmadabad in 2011, conducts programs like seminars, networking events for a period of 13 weeks.
5. Khosla Labs was setup in 2012 as an innovation lab to focus on solving large scale problems driven by technology. It is located at Bangalore, with the focus areas of Mobile payment and Banking, Retail efficiency.
6. Nadathur S Raghavan Centre for Entrepreneurial Learning located at Bangalore was started in the year 2002, with the notable startups such as Amagi and Nextgen.
7. Science and Technology Entrepreneurship Park, Technology Business Incubator is located at Kharagpur, was established in 1986. Its startups are Ikure Techsoft Pvt.Ltd. It advices the startups on various aspects of the business. Its goal is to nurture successful indigenous technologies and growth oriented entrepreneurs/enterprises.
8. Society for Innovation and Entrepreneurship (SINE) is located at Mumbai was found in 2004. SINE administers a business incubator which provides support for technology based entrepreneurship. It incubates an average of 15 startups at a time. It startups are Webaroo, Bhugol GIS, SMS Gupshup.com.
9. Srijan Capital is a seed stage investment to technology startups. It is located at Bangalore and was found in the year 2012. Its focus areas are Ecommerce, SAAS, mobile, social media, and consumer internet and its startups are Explara, TookiTaki, CouponRani.
10. Startup Village is a technology business incubator located at Kochi was the first incubator that was funded jointly by the public and private sector. Its promoters are Department of Science and Technology, Government of India, Technopark Trivandrum and MobME Wireless. Its startups are iTraveller.
11. Technopark Technology Business Incubator (T-TBI), is a Non-Business Incubator, located at Kerala, was found in 2007. Its focus area is Technology business startups and its notable startups is To know Click.
12. UnLtd India is an incubator for social entrepreneurs which helps them to develop as leaders. It is located at Mumbai and was found in the year 2007. Its focus areas are Social startups and the notable startups are Mirakle couriers, Milaap.org
13. Veddis Ventures launched its incubation center in India in 2007, at Gurgoan with the focus area of consumer technology and its notable startup is Favista.
14. CSIR initiative for technology businesses is an incubator specializing in technology startups offering products and services exploiting scientific expertise in the areas of material, chemical and biological sciences and engineering. It is located at Pune and was found in the year 2006. Its notable startups are Antfarm.
15. The incubator facility at ISB was set up in 2008 under the institute's Wadhvani Centre for Entrepreneurship Development. It educates and assists young entrepreneurs in the areas of business planning, and promotes entrepreneurship as a valid career option. It is located at Hyderabad with the focus area of Techstartups and its notable startups are Orkash, Richcore Lifesciences.

16. BITS Pilani in association with Department of Science and Technology, Government of India has established Technology Business Incubator in the areas of Embedded systems and VLSI Design. It is located at Pilani and was started in the year 2005. BITS have set up a Centre for Entrepreneurial Leadership (CEL) to give a specific boost and emphasis to entrepreneurship development. It also provides training to the startups in business communications and provides short courses on business management. Its notable startup is redBus.

## II.CONCLUSION

Business incubators provide mixed support for the entrepreneurs from the startup companies and the startup creates jobs inside the incubators. After successful incubation the graduated companies will leave the incubator and stand free in the local market and lead to economic development.

The information given in the above study on the business incubators for startups in India gives a positive impact on the success rate of the entrepreneurs and economic development of the country. The business incubators for startups success was achieved due to new policy initiatives. Majority of the success was achieved in the field of IT and e-commerce internet and social media sectors. Business incubation was helpful for the small medium units more as they were able to avail and grab the opportunities more and became successful in their entrepreneurial career. This process was fast tracked by flagship programmes which were supported by skill India mission. Presently Startups are emerging as major job creators, government at the centre and the state need to support and put appropriate policy framework for the startups for their future growth.

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