

STARTUP : SUPPORTING INNOVATION

Vandita Motwani

Student of BBA, Department of Mangement, St. Xavier's College, Jaipur

Abstract

A startup is usually a small scale business organization which aims to become an ascendable business plan. It is a newly emerged form of initiating own business which often employs technologies. The most common form of technology undertaken by the upcoming entrepreneurs is 'E-COMMERCE'. A startup is a platform which promotes creative and innovative ideas of upcoming entrepreneurs. Startups have increased employment opportunities. There are specific procedures and legalities which have to be compiled in order to bring a startup organization into existence. Startups initially were not so popular but with time this form of organization has achieved popularity among soaring entrepreneurs and prospective investors. Startups have supremely added to the national economy. Startups are being promoted by Prime Minister Narendra Modi by his campaign for startups named 'STARTUP INDIA'. It is an action plan to support entrepreneurs and increase investments in startups. This campaign was announced on Jan 15th, 2015 by Prime Minister and inaugurated on Jan 16th, 2016 by Finance Minister Arun Jaitley. This campaign provides a platform for bank investments and job creations. It focuses on the promotion of entrepreneurs among backward section, marginalized communities, and women. Startups have come up as a way of development for backward areas. Also, startups are benefited by the 'MAKE IN INDIA' campaign. Startups are not successful all the time. There is a possibility that a startup may be a great success or maybe a failure. Entrepreneurs face a lot of problems while establishing a startup and the most common mistakes which should be avoided are mentioned in the following research.

Keywords: *Employment, Benefit to National Economy, Startup India Campaign, Development*

Introduction

This dissertation describes what are startups and what effect do they have on the Indian economy. One of the major aspects of this research is the problems faced by the entrepreneurs in establishing a successful startup. Not all startups achieve success, therefore the expectations of success of a startup and do's & don'ts are discussed. Also, what is the importance of startups in the economy and government policies in favour of startups also make up a segment of this study? This study ends with the success story of two major IT hubs - Silicon Valley & Bangaluru IT hub - and 12 successful entrepreneurs.

Review of Literature

This study tells about how the startups have emerged in our country. It describes the procedure by which startups can be registered and start functioning. The problems which entrepreneurs face are described in the following study. Also, how the startups affect the Indian economy, how is it beneficial for the economy and how government supports and promotes the startups is explained. This study also talks about Silicon Valley and Bangaluru IT Hub.

Objective

The main focus of this research is:

- To understand the problems faced by new entrepreneurs to establish a startup.
- To determine the success rate of startups in today's economy.
- To understand the impact of startups on the national and global economy.

Methodology

In order to understand the emergence of startups and their impact on the Indian economy, the research has been carried out. The research methodology that has been adopted is purely based upon the secondary information. Internet journals, on line newspaper articles, business magazines and articles available on the internet are the key sources to collect the data.

Findings

1. Startups as defined

A startup is basically a low investment project which comes up with an innovative idea or product. It adopts e-commerce, internet, and telecom as a platform to carry out a business. A startup can exist in the form of a partnership, small company or one-person company (OPC) as per the co-founders' plan. The startup is looked upon to bring a new ideology to the business world and develop a scalable business model.

2. Co-founders

Co-founders are the people who bring out the innovative products and work upon the business plan. They are the people who are associated with the initial launch of the business. They are also termed as the promoter of a startup. Anyone could be a co-founder but generally, the team consists of a manager, entrepreneur, engineer, web-developer, marketer and others.

3. Sources of Investment

- **Bootstrapping**
The first and foremost source should be self-funding from savings. This saves time and effort to search for funds and investors. Also, there is no diffusion of control in decision making and working of the business.

- **Friends & Family**

The business which is funded by family or relatives is often referred to as a promising business. This is because it gives real skin to the project. The risk factor is on the shoulders of entrepreneurs near ones.

- **Small Business Administrative Loan**

In case, the need for funds is small or temporary, then this source should be chosen. It carries a low interest rate, also is guaranteed by the government. Commercial banks generally put off startups and demand for solid collateral against the loan granted. In such a scenario, small business administration loan serves the purpose.

- **Angel Investors**

These are the investors who mainly focus on funding startups in its early steps. They invest in upcoming businesses in exchange for a share in equity or convertible debt. It is beneficial because it stresses on the establishment of a startup in its initial stages instead of the profits that the business may earn.

- **Venture Capital**

Venture capital is absolutely the opposite of angel investor. They focus on the profits which the business is expected to earn. It should not be adopted unless the need for funds is huge. Also, it is a good option but only when the business is stable.

- **Incubators**

Incubators gather funds for startups in exchange for a share in equity. Incubators can be a company, university or any other organization.

- **Bartering**

It may serve as a good source of gathering funds. Under these goods and services are bartered as a substitute for cash.

4. Registration of a Startup

A startup can be registered in two ways:

Option 1 : An entity may be registered on the STARTUP INDIA app by following these steps-

- Log in to Startup India portal.
- Choose your legal entity.
- Input your incorporation/registration number.
- Input your incorporation/registration date.
- Input your PAN Number.
- Input your address with postal code & state.
- Input authorized representative details.
- Input director(s)/partner(s) details.

- Choose and upload supporting documents and self-certification.
- Incorporation/registration certificate of company/LLP/Partnership.
- Registration to avail tax and IPR.
- Certify the official notification terms and conditions.

5. How to Begin a Startup with Fewer funds

- The most important thing to begin a startup is to have a brilliant team. A team which works hard and is cooperative will prove to be a successful team and lead to a successful business.
- Another aspect is market research. An entrepreneur must carry out the research in an efficient manner. He should know about prospective customers and their needs. The product should be as per the needs of the prospective buyers else, the sales would not show a positive response.
- Then comes the investment. An entrepreneur should invest the money he has and the profit he gains should again be invested in his business. This is how the startup would expand.

6. Expectation of Success of an Indian Startup

It has been observed that 90% of Indian startups do not succeed. Only 1 out of 10 entities end up successful. But one question strikes. What leads to an unsuccessful startup?

- Lack of adequate market research-
One of the biggest mistakes that entrepreneurs make is that they overlook the proper market research. The product should be as per the market demand which they usually lack.
- Overestimation of results-
Another reason is that entrepreneurs think that a skillful team and a solid product are enough for a successful business but they lack in coordination and efficiency as they work upon their part of work and not upon the project as a whole.
- Flaws in assumptions-
An entrepreneur should always analyze the assumptions and figures derived from market research and planning. It is better to locate and fix the contours before proceeding on with the business and blindly depending on those figures.
- Scaling up too early-
Startups when finding success in a particular region or among a limited consumer group, it gears up to scale its business to a wider group of consumers. This, many a times results in the downfall of the business.
- Underestimating the manpower needs-
A startup should definitely take into consideration the manpower needs of the business. A startup needs a team to carry the business to peaks. A strong team takes over most of the tasks leaving the CEO with just the core tasks.

- Not maintaining financial buffer-
Before starting a business, an entrepreneur should make sure that he has a financial buffer for the next 8-10 months. It is advisable to prepay most of the expenses. This leaves the entrepreneur debt free which helps in making decisions efficiently and stress-free.

7. Importance of Startups

Startups play a very important role in the development of the business world as well as the economy of the nation. Startups promote innovation and conceive new ideas. These provide employment opportunities to the skills that are not able to showcase their talent. Government supports the positive aspects of such ventures and puts forward different policies in order to nurture the prospects of a better economy. Startups set up in backward and remote areas develop the surrounding areas which enhances the standards of living of the localities.

Startups are a medium to enhance an entrepreneur's personal experiences and abilities. In the modern world, where the internet and technology plays an important role, most of the startups are based on IT and development. This, in turn, provides a platform to technology enhancement. Innovative plans converting into reality gives a new edge to the virtual world incorporating a business.

Another aspect of startups is seen in the economy. Startups are small ventures which aspire to reach soaring heights. Promising ventures like these attract investments. Nowadays, even foreign capitalists show their interest in Indian startups. The major reason behind this being the abundance of skilled labour available that has served as the IT hub and service center to foreign ventures. This guarantees skilled work and multiplication of the amount invested by them. As investments increase, our economy also benefits.

Startups emphasize on rendering affordable and convenient services to its consumers. People look forward to avenues where things can be done just on a click of a button. This is where startups play their role. Also, gaining consumer's attention enters additional dynamics in the business environment. This increases the competitiveness among the entrepreneurs which further escalates efficiency of the business.

8. Government Policies

- Startup India-
Startup India is an action plan to foster startups, increase investments and create employment. Following are the key features-
 - 10,000 Crore fund of funds
 - 80% reduction in the patent registration fee
 - Freedom from mystifying inspections for 3 years
 - Freedom from Capital Gain Tax for 3 years
 - Freedom from tax in profits for 3 years
 - Self-certification compliance
 - Starting with 5 Lakh schools to target 10 Lakh children for innovation program

- New schemes to provide IPR protection to start-ups and new firms.
- Atal Innovation Mission-
The objective of this mission is to provide a platform to promote innovation hubs, especially in technology driven areas. Following are the key features-
- Entrepreneurship promotion
- Innovation promotion
- Regional Startup Niti-
Under this scheme, startup promotion schemes are rendered to different regions. Following are the key features-
- Establishment of 50 incubator centers
- Rs. 500 Crore funds by the government
- Make in India campaign-
Make in India fosters innovation, enhances skill development, facilitates investments and builds the best manufacturing infrastructure. Following are the key features-
- It provides an online portal for most of the documentation and licensing.
- National Industrial Corridor Development Authority has been formed to monitor and supervise the development of identified industrial clusters and smart cities.
- A number of incentives and relaxations are given to Special Economic Zones (SEZs), FDI, etc.

9. Startups and Indian Economy

- **Startups Create Employment Opportunities**
With an increasing number of business ventures, employment needs also increases. These provide avenues to those who are skilled but not able to perform up to their abilities. Startups need fresh blood and innovation to succeed which has to be fulfilled by hiring employees in the business.
- **Startups Encourage Investments**
Indian startups are trusted as they are driven by skillful and intelligent entrepreneurs. Indian minds are considered to be sharp and innovations in B-plans attract both national and foreign investments. With increasing investments, the economy also gears up and benefits.
- **Startups Play an Important Role in the Development of Backward Regions**
The government provides subsidies if startups are set up in backward regions. This is because a business firm will develop the area where it functions in order to operate smoothly.
- **Startups Add to GDP**
Successful startups are able to fetch good revenues and investments. It develops the infrastructure of the economy. This leads to uplifted GDP and better economy.

10. Silicon Valley

Silicon Valley is situated in the northern city California, U.S.A. Silicon Valley has notably evolved from being a manufacturer of silicon integrated chips to becoming the world's first and largest IT hub. Today,

Silicon Valley is home to a large number of high-tech business corporations with about 400,000 employment avenues and 60,000 business units. Fortune 1000 comprising of many startup companies makes it the largest startup innovation hub for high tech corporations. It elucidates one-third of total venture capital investments generated from the US.

11. Bangaluru - The IT Hub of India

Bangaluru has emerged as the IT hub of India. In the year 2001, a large number of IT corporations established their offices in Bangaluru. Bangaluru became the IT hub of India and is declared to be the fourth largest state in contributing to India's GDP. It employees about 200,000 employees and exports about Rs.18,000 Crore worth services.

Mysore was a city where education was given priority and this is where the journey of IT hub began. Bangaluru had the ideal climate- neither too hot nor too cold- which was suitable for sensitive and delicate computers. Also, Bangaluru geographically lies far away from Pakistan and China which keeps it safe from being hit by war and destruction. Bangaluru IT hub developed at a very high scale. It came to be known as Software Technology Park of India (STPI), Electronic City and International Tech Park of Bangaluru (ITPB). The 2001 edition of Business Week magazine titled it as Silicon Valley of India.

12. Indian Successful Startup Companies

S. No.	Entrepreneur	Company	Funding Amount	Industry
1.	Sachin Bansal	Flipkart	US \$3.2 billion	E-Commerce
2.	Kunal Bahl	Snapdeal	US \$1.53 billion	E-Commerce
3.	Bhavish Aggarwal	Ola	US \$1.17 billion	Transportation & logistics
4.	Vijay Shekhar Sharma	Paytm	The US \$935 million	Online payments & E-Commerce
5.	Pranay Chulet	Quikr	The US \$350 million	Classifieds
6.	Naveen Tewari	InMobi	The US \$315 million	Online Ad Networks
7.	Deepinder Goyal	Zomato	The US \$223 million	Search
8.	Albinder Dhindsa	Grofers	US \$166.5 million	Logistics & E-Commerce
9.	TA Krishnan	Ecom Express	The US \$149.5 million	Search
10.	Phanindra Sama	Redbus	US \$140 million	Travel & E-Commerce
11.	Suchi Mukherjee	LimeRoad	The US \$50 million	E-Commerce
12.	Richa Kar	Zivame	US \$46 million	E-Commerce

Conclusion

Through this research, it is concluded that startups are an expressive and a comprehensive way to put forward innovations and ideas. All that is needed to give a kick start to startups is good infrastructure, access to resources and financial support. A few common mistakes made by entrepreneurs, if avoided, would lead to promising startups and increase the possibility of success. The success rate as found was just nearly 10%. To improve this scenario, the Indian government has come up with many projects and campaigns such as Startup India, Make in India, Atal Innovation Mission, Regional Startup Niti and many more. According to this study, startups attract investments, both domestic and foreign, on a large scale. More investments mean more expenditure and more expenditure means development. Therefore, startups help in the development of our country. When a country starts developing, it also benefits the economy, further benefiting the GDP of the country. The government gives incentives to the startups which are being established in backward regions. This develops the backward areas as well. Thus, startups are an important part of our economy and much support is required to establish and carry forward more and more startup projects.

Works Cited

- <http://startupindia.gov.in/>
- https://en.wikipedia.org/wiki/Startup_India
- <https://www.quora.com/What-is-the-procedure-to-register-a-startup-company-in-India-and-how-much-will-it-cost>
- <https://www.quora.com/How-do-I-start-a-startup-in-India-without-money>
- <http://timesofindia.indiatimes.com/business/personal-finance/6-start-up-mistakes-to-avoid/articleshow/31311365.cms>
- <https://www.entrepreneur.com/article/276764>
- <http://www.mbaskool.com/business-articles/entrepreneurship-and-startups/14092-indian-startups-boosting-economic-growth.html>
- https://en.wikipedia.org/wiki/Startup_company#Evolution
- <http://www.forbes.com/2010/02/12/funding-for-startups-entrepreneurs-finance-zwilling.html>
- <http://theindianiris.com/>
- <http://www.chakreview.com/Science-Technology/Bangaluru-The-IT-hub-of-India>
- <https://www.quora.com/What-contributed-to-Bangaluru-becoming-the-Silicon-Valley-of-India>
- https://en.wikipedia.org/wiki/Silicon_Valley
- <https://www.techinasia.com/indias-top-30-startup-founders>
- <https://www.quora.com/How-can-young-entrepreneurs-benefit-from-the-Make-in-India-campaign-started-by-Mr-Modi>