A theoretical perspective on the startup business in India

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Abstract
Entrepreneurship is vital for job creation, economic growth and problem-solving. It also reflects a society’s capacity for boldness, risk-taking and creativity. More specifically, according to the Global Entrepreneurship Development Institute (GEDI), there is a strong positive association between entrepreneurship, economic growth and innovation. The GEDI has recently released its 2018 Global Entrepreneurship Index, a ranking of 137 countries. Countries are ranked on 14 criteria: Opportunity perception (whether the population can identify opportunities to start a business), start-up skills, risk acceptance, networks, cultural support, opportunity start-up (whether entrepreneurs are motivated by opportunity rather than necessity), technology absorption; human capital, competition, product innovation, process innovation; high growth (business intention to grow); internationalization and risk capital availability. According to GEDI, India is ranked 68th out of 137 countries, a "middling" performance. As per the Asia Pacific region, India is again in the middle position, 14th out of 28 countries. The present study is a theoretical study of the Start-up Life Cycle in Indian context.

Keywords: Theoretical, GEDI, networks, process innovation

Introduction
The economy of every country depends on its countrymen. Larger the number of employed or working people, better the economy. The Indian Government realized that Indian people have a potential to work hardly, all they need is a promising start up. Many people dream of starting up their own business but due to financial or other similar issues are unable to do so. So, Indian Government in the leadership of Narendra Modi has decided to offer a gift as a nation wise programme—“Startup India”. “Startup India is a revolutionary scheme that has been started to help the people who wish to start their own business. These people have ideas & capabilities, so the Government will give them support to make sure they can implement their ideas and grow. Success of this scheme will eventually make India a better economy and a strong Nation.” Startup India is an initiative of the Government of India. The event was inaugurated on 16 January 2016 by finance minister Arun Jaitley.

This programme is a big start to enable Startups through financial support so that they can use their innovative ideas in right direction. There are tremendous opportunities for Startup entrepreneurs in India. The key areas are Like Textile, Media, Health Sector, Event Planner, Tourism, Automobile etc. So there are various opportunities where entrepreneurs can start their Startups. But along with opportunities there are some challenges also that Start up entrepreneurs may have to face like Infrastructure Deficit in India, Risk Factor and Right Talent Acquisition etc. Despite of these challenges, Government as well Start up entrepreneurs should have to work together to face these challenges & make this programme effective.

Meaning of startup
Currently a clear definition of a ‘Startup’ does not exist in the Indian context due to the subjectivity and complexity involved. Considering various parameters pertaining to any business such as the stage of their lifecycle, the amount and level of funding achieved, the amount of revenue generated, the area of operations, etc., some conceptual definitions are available in the public domain. The Department of Industrial Policy and Promotion (DIPP) is also working around a clear definition for startups and is expected to make it public in due course.
A startup is a young company that is beginning to develop and grow, is in the first stages of operation, and is usually financed by an individual or small group of individuals.

A startup is a young company that searches for an unknown business model in order to disrupt existing markets or create new ones.

A startup is a young, dynamic company built on technology and innovation wherein the founders attempt to capitalize on developing a product or service for which they believe there is a demand.

**Definition of startup**
A startup business is defined as an organization:
- Incorporated for three years or less
- At a funding stage of Series B or less
- An entrepreneurial venture/a partnership or a temporary business organization
- A startup is defined as a business that:
  - Engages in development, production or distribution of new products, processes or services
  - New and existence for not more than five years
  - Revenue of up to INR 25 cr.
- Not formed through splitting or restructuring

**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:

1. 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.

2. Secured job—Job security is one of the basic need 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 owner the zeal and enthusiasm comes automatically and the job is secured.

3. 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.

**Stages of start-up and available means of finance at each stage**

1. **Self-Raising**
Self-funding which is also called as bootstrapping is the first source of raising capital. Here the firm will be raising money on its own saving rather depending from external sources. This type of option is suitable only when you are doing business on a small scale and requirement of finance is less. In this option of raising capital, the company can avoid paying extra amount in form of interest if it had taken loan from outside and monthly burden to pay interest to bank can be avoided.

2. **Relatives and Friends**
If you start a new business which is innovative but you are not having sufficient capital to start the business, you can still raise money by requesting your friends and close family relatives, family or close associates to contribute money for your innovative business. But this type of funding depends on a strong relationship you have with your relatives and friends.

3. **Crowd Funding**
Crowd funding has the ability to tap new sources of capital to firms. Crowd funding offers a way for the crowd to participate in the innovation process by providing feedback to the entrepreneur. A characteristic of crowd funding is that the entrepreneur needs to put a large amount of information in the Internet to convince backers to contribute. The US was the first country to propose regulations for equity crowd funding additional benefits of crowd funding can come from the ability to develop relationships with other stakeholders. Crowd funding is the practice of funding a project or venture by raising small amounts of money from a large number of people through the Internet. These funding sources include banks, angel investors, and venture capital firms. Crowd funding is changing how entrepreneurs bring new products to market. It has allowed thousands of innovating.

4. **Angel Investors**
Angel investors are the individuals who are affluent people and offer capital in exchange for a share of equity in the business. Angel investors have excess cash and are interested to invest in new business which is innovative in the market. They not only offer capital to new business firms but also offer advisory services to them. Some companies which have started their new venture with the help of angel investors are Google, Yahoo and Alibaba. Angel investors provide capital to new firms with the objective of earning high returns on their investment which is generally in form of equity shares of the firm.

5. **Venture Capital**
Venture capitalists contribute their money to new start-up firms in exchange for equity in the business, and get returns when the business goes public or is acquired by another company. Venture capitalists have the only objective of earn high returns and invest only in those firms which have the scope of earning high growth and market share. They are professionally managed companies which invest only in high potential companies with high future growth prospects.

6. **Bank Loans**
Bank loans are the common source and cheapest source of raising funds for start-ups. The firms which intend to start a new business should have a strong business plan to be presented before the bank officials. Firm should be aware of the interest rates that the bank is going to charge every month and this option of raising money requires lot of documentation and it will be a time consuming process and the firm should also plan for monthly interest payment to the bank.

7. **Small Business Administration (SBA) Loans**
This involves funding from a government dedicated to help new businesses to succeed. SBA’s help small businesses get capital and ensures that a certain percentage of contracts are given to the small businesses.
Review of literature
(P. Premkumar, 2019) [11] India is fast emerging as a start-up nation. The Indian technology landscape has seen a tremendous growth towards creation of innovative startups and has emerged as the 3rd fastest growing hub for technology startups in the country, this detailed analyses the current scenario and emerging trends across the various dimensions that define the Indian start-up ecosystem, and gauge India’s position as a global start-up hub that is becoming attractive for investors, start-ups, & corporates. This student also details the current landscape, its growth factors, top trends, funding scenario, and key policies. Also, provides analysis on key industry verticals, incubators/accelerators, and the talent scenario.

Deshmukh (2019) [1] Start-up companies are new born companies which require fresh capital to be raised. These firms have innovative ideas to grow. Start-Up firms try to raise finance externally during the initial stages. They are many sources of raising capital for new born firms like Bootstrapping, venture capital, loans from banks and angel investor.

The goal of the research was to investigate whether India has able to fund the start-up firms who have potential growth to succeed. This paper provides an insight into funding being made available to Start-up Companies in India and to know state wise start up financing done and also number of deals done. The progress made by India so far and the incentives and schemes introduced by Government of India to promote start up finance have been discussed as under.

Inakshi (2017) [5] The whole world on Saturday (16th January, 2016) witnessed the launch of an ambitious programme in India. Also, India has seen a rise in its entrepreneurial spirit in the last ten years. The Startup India initiative was launched with much appreciation in January last year, with the Prime Minister releasing a start-up policy to encourage entrepreneurship in the country. Government of India has been a forerunner in hosting an initiative such as Start-up India which is intended to build a strong ecosystem for encouraging innovation and Start-ups in the country that will drive sustainable economic growth and create large scale employment opportunities. This paper aims to explain the entrepreneurial cultural scenario on the basis of current strategies, opportunities and challenges of this new policy.

(Dr. Shailja Badra, 2016) [3] India accounts for four percent of global GDP today. Startup India is the flagship initiative of the Government amidst fanfare and euphoria. The strategies of the Central Government takes into account the collective aspirations and enterprise of the risk taking Indian. The success of the Silicon Valley startups has many indomitable and resolute Indians in the heart of it. India aspires to contribute to 15-20 percent global GDP. It happens when Startup movement attains critical mass. Startup India looks beyond the argument that it is a better packaging of existing institutional support. The complexities of managing the diversity of thoughts, processes and people of India are very well known. The plan of Startup Indians is to flourish under an ocean of changes in mindset and thinking. It is giving feather to wings of the unstoppable Indian.

Indian start-up industry is on the up-swing since last few years, with multiple global investors eyeing the India start-up space; it is slated to grow larger than before. However the road to success is not as smooth as it appears to be. The larger problems plaguing the businesses, such as the unorganized and fragmented Indian market, lack of clear and transparent policy initiatives, lack of infrastructure, lack of knowledge and exposure.

According to a report by Grant Thornton and Assocham (2016), most people think that having a domain name, setting up a website, moving to social media are complex, costly and time consuming. But Indian markets are largely unorganized and fragmented that create a roadblock for a startup to succeed. Consumer behavior of Indian consumer changes in every 30-50km that makes it really difficult for a startup to create business or market strategy for their products or services. Most Startups generally get stuck in stagnancy and gradually shut down.

There are various funding options available for Startup in early stages, but later no proper guidance or support is provided for the marketing of their products. For their services or products, the Startups, which are usually new and small have no choice but to rely mainly on new investors and customers. Only customers can keep the ball rolling in terms of generating the funds required for running of the business. Therefore it’s vital to adopt marketing techniques to acquire customers for the same. Marketing is very important to survival of these companies.

Indian telecom industry is growing very fast, mobile connectivity has made inroads in the rural and urban population. Government of India’s digital push is going to improve connectivity and data to the next level. The race to cheapest data has started and disruption is certain. The cheap data has helps everyone to get their hands on it, startups will have an easier time to tap into markets, territories and even traditional businesses.

Despite all these above mentioned efforts by government, still Startup companies are facing market problems and are failing. Among the various reasons of failures of Startups the major is that, they gradually run into the problem of their being very little market for the service or product that they created. There is not enough marketing done to attract the potential CU.

Story of successful start-ups in India

Story of successful startups in India is not very old it is only last one-two years’s old. India has seen many start-ups, which helped in the growth of the economy. In every sector like retail, hotel industry, medicine, education, transportation etc, start-ups emerged like a boom. Few of the leading start-ups are Flipkart, Chaaos, Ola cabs, Paytm, Redbus, Zomato, Zivame, Justdial, Pepperfry, Limeroad, Quikr, Cardekho, Practo, Urbane ladder, policybazaar Grofers, Shopclues, Nearby, Voonik, Immobi, Firstcry, Yepme, Mobikwik, Bigbasket, Nykaa, Hopscotch, juestone, Caratlane, Paperboat, Gojavas, Craftsvilla, Roposo, Voylla, Babyoye, Naaptol etc.

Initiatives taken by the government

The role of government is very important in setting up the new enterprises. The plans, policies, initiatives, strategies of the government affect the entrepreneurs. Following are the 19 plans as an initiative for start-ups:
Self-certification: The main objective of the government 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.

Start-up India hub: A single contact point will be created for the start-ups in India, which will enable them to exchange knowledge and access to funds.

Register through app: An online portal, will be available in the form of a mobile application, which will help entrepreneurs to interact with the government and other regulatory officials.

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 by the entrepreneurs.

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.

National Credit Guarantee Trust Company: A National Credit Guarantee Trust Company 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 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.

No Income Tax for three years: Start-ups would not pay Income Tax for the first three years.

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.

Building entrepreneurs: Creative study plans for students will be implemented in over 5, 00, 000 schools. Apart from this, there will also be an annual businessman grand provocation to develop high class businessmen.

Atal Innovation Mission: This Mission will be propelled to revitalize ideas and motivate creative youngsters.

Setting up incubators: A private-public partnership model is being considered for 35 new incubators and 31 innovation centre's at national institutes.

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.

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.

Dedicated programs in schools: The government plans to inculcate transformational programs for scholars in over 5, 00, 000 schools.

Legal reinforce: A committee of moderators will give legal help and reinforcement in complying patent applications and other papers.

Rebate: An exemption value of 80 percent of the total value will be given to the startups on filing the patent applications.

Easy rules: Standards of communal acquisition and mandate of switching have been easier for the entrepreneurs.

Faster exit: If an entrepreneur is unsuccessful than the government will help him to get a particular resolution for their completion.

Conclusion
The success of Startup India campaign hinges on initiatives like faster and easier registration of Companies, self-certification for many legal requirements, zero inspection for three years, funding for patents, and speed of patent protection. It is important to add provisions which aid the closure of dead companies within 90 days. Indian lawmakers could do this under the new bankruptcy bill. The central theme is that ease of starting and ending is critical in the context high rate of startup mortality. This research paper found that respondents supported the idea of funding for incubation centers. The Government proposal do so, across Universities, innovation movements, research parks and industry parks is on similar lines. The promise of an initial capital of ten thousand crores over a period of four years from the government is capable of attracting tenfold investment by 2022. Credit guarantee for startup lending is the booster dose required to galvanize Indian industry. Incentives in the form of tax holiday for three years are a benefit worth considering. It is also apt to consider equating capital gains with the regime in the listed market. Most importantly, foreign exchange regulations are to be in tune with investor needs, so that the best do not register outside India. Global investors demand a benign tax certainty regime so that they remained invested for the long term.

References