

Startups – Growth Driver of Indian Economy

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Abstract - Economic activities are regarded as the backbone of a nation. To perform economic activities, one has to start a business, self-employment or to become an entrepreneur. All these activities are the same. Now a refined and renewed name has been given to this, i.e. *Startup*. Startup is one of the burning and searching event which everyone is taking about. Startup means an organization which has to emerge or to begin. India is 7th largest country by area and second most populous country in the world. It requires large market and to overcome the employment pressure, need of startups and to boost arise. To resolve this program, on 16th January, 2016, the Govt. of India has launched its flagship initiative Startup India, Standup India. This initiative will provide help and support to emerging businesses and ideas. This will provide support to startups in terms of finance, technology, economic, social and environment. Such initiative will definitely help to growth of Indian economy. There has been significant growth in the number of startups and India has become 3rd largest startup community in the world. Startups will help to grow the entrepreneurship culture and to build a conducive eco system. Changing demographic composition, increasing number of students for higher education and consciousness towards self-employment will definitely help to grow Indian economy exponentially. This paper revolves around to study the concept of Startup, Startup financing options, scope of growth, bottlenecks faced and provide suggestive areas where the startup can work. The study is based on secondary data.

Keywords: *Startup, Entrepreneurship, Economic activities*

I. INTRODUCTION

Economic activities are regarded as the backbone of a nation. To perform economic activities, one has to start a business, self-employment or to become an entrepreneur. All these activities are the same. Now a refined and renewed name has been given to this, i.e. *Startup*. Startup is one of the burning and searching event which everyone is taking about. Startup means an organization which has to emerge or to begin. Startups can promote the entrepreneurship and to help in boosting the economic development on the country. India changing environment and increasing number of students for higher education, the concept of startups is gaining momentum in now-a-days. India is a most popular destination for investment opportunity that the world is eyeing. A startup is a young company that is in initial stage and is usually financed by an individual or small group of individuals.

Startup may be funded by traditional finances options or Govt. schemes or by grants from Not for Profit Organizations.

Startups are not defined by DIPP yet. DIPP is in the process of defining it.

A Startup can be defined as an organization:

- Incorporated for 3 Years or less.
- At a funding stage of series B or less.
- An entrepreneurship venture/a partnership or a temporary business organization.
- Engages in development, production or distribution of new products, processed or services.
- Revenue of upto Rs. 25 crore.
- Not formed through splitting or restructuring

According to an Infosys Cofounder, a startup can be defined as a business:

- (1) Within the first 3 years of its existence.
- (2) Employing 50 people or less.
- (3) Revenue of Rs. 5 Crore or less

In nutshell, a startup is a business which is technology driven, growth potential and scaling up of a business to capture a large market.

II. START UP MODEL

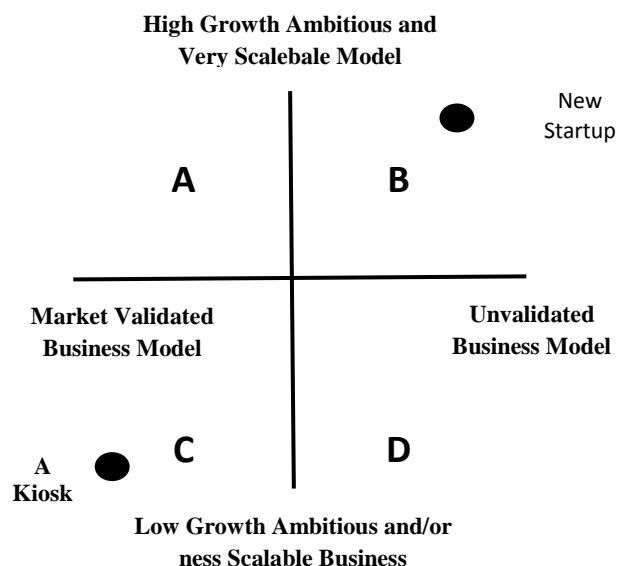


Figure -1: Startup Model

II. OBJECTIVES OF THE STUDY

- To study startup ecosystem in India
- To know the startup financing process and financing options in India.
- To study the growth of startup in India in line with other programs.
- To study stumbling blocks in the way of startups in India.
- To suggest some selective areas where startups can work.

IV. RESEARCH METHODOLOGY

The study is based on secondary data which is collected through websites, magazines, journals and newspapers.

V. START UP ECO-SYSTEM IN INDIA

Startup ecosystem consists of people, various stages of startups and organizations whether physical or virtual locations which support to create new startup companies.

The following are the elements of startup ecosystem:

- Ideas, inventions and researches
- Entrepreneurs
- Angel Investors
- Startup Mentors and advisors
- Startups at various stages
- Universities & Higher Education Institutes
- Crowd funding portals
- Service Providers
- Other facilitators with entrepreneurial mindset

VI. HOW STARTUPS START & WORK?

Pre Startup Activities

Discovery - Recognition a potential for product/service

Validation- looking for clients ready to buy this product/service



Startup

Efficiency- defining business and ways to increase customer base

Scale- growth of business in aggressive and sustainable manner



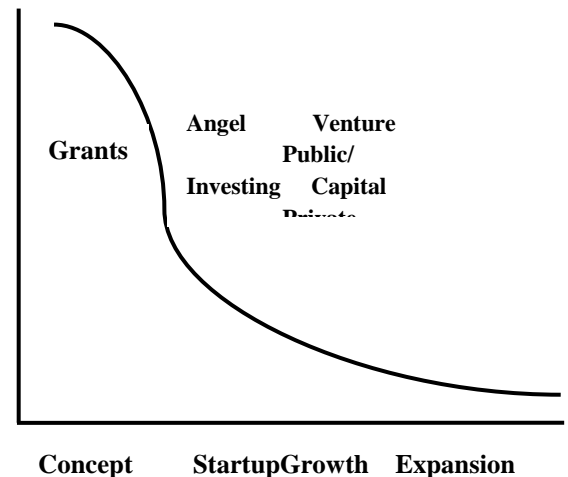
Growth

Maintenance - expansion/ diversification of products/services to touch new and global dimensions

Scale up business - acquiring huge resources to make the startup a big business giant

VII. STARTUPS FINANCING PROCESS

At the early stage, startups use and rely on angel investing. At the time of growth and scale up their business, venture capital is invited from big companies and at the time of expansion stage, Private Equity and Access to Public Market are used to innovate and position their products/services in the market actively.



(Figure 2: Startup Financing Process)

Govt. Initiatives to support Startups

- MUDRA bank is launched to growth of small businesses
- India Aspiration Fund is established to encourage startup ecosystem
- SMILE – SIDBI Make in India Loan for Small Enterprises is launched to provide soft loans to MSMEs.
- Startup Exchange- SEBI has relaxed the listing norms to boost startups.
- SETU- Self Utilization and Talent Utilization which provides technical assistance and incubation to startups.
- Startup Incubation funds are set up to create ecosystem for startups in India.
- Regulatory environment has been simplified for startups.
- Tax relaxations/concessions

VIII. STUMBLING BLOCKS IN THE WAY OF STARTUPS IN INDIA

- Lack of awareness: People in India are unaware about that how startups can contribute to economic growth.
- Lack of Guidance: less or lack of industry knowledge and proper mentorship is main cause of slow growth.
- Diverse Culture and Tastes: India is place of diverse culture, so every product or service may not be accepted everywhere.

- Lack of IT infrastructure: IT infrastructure is not enough for online transactions and for customer to go online.
- Cyber Risk: People and employees in India are not aware about the potential risk through online transactions.
- Financial Issues: Access to capital through new and innovative sources are not used and rely mainly on family funds.
- Competition: unable to cope up with competitors. Startups are struggling to survive.
- Regulatory Issues: Multi window clearances create problem to fulfill statutory compliances.
- Taxation Issues: Multiple indirect taxes are levied at every stage increase the cost of production/services or selling price.

IX. SUGGESTIVE AREAS FOR STARTUPS

Startups can work in the following areas and can generate smart incomes, create jobs and can grow exponentially for themselves as well can contribute to the Nation.

- Health Care
 - Can provide instant health care system to diagnose critical diseases and trumacentres
- Public Transportation
 - To get rid from private transport
- Sanitation & Waste Management
 - To promote Swachh Bharat Abhiyan and ODF.
- Pollution
 - By providing smart air filters
 - Intelligence system to detect pollution spreading industries
- Easy Access to Education
 - By providing technology driven education and study material
- Electricity
 - by providing fuel efficient electricity systems.
 - Solar and wind energy system
- Crime
 - Solution for technology driven crime reduction gadgets.
 - Women safety equipments.
 - Smart security solutions.

X. CONCLUSION

In the present scenario, startups are growing in India and creating growth stories. Startups can contribute a lot to growth of an economy. They can create jobs, reduce unemployment and help to prevent brain drain from the country. The govt is also supporting to provide a conducive environment to the startups. The initiatives on

the part of the government to make an easy environment for doing business and to provide single window system are underway. Startups can definitely prove a growth driver for the Indian Economy.

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