

Startup India, Standup India: A Review

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Introduction

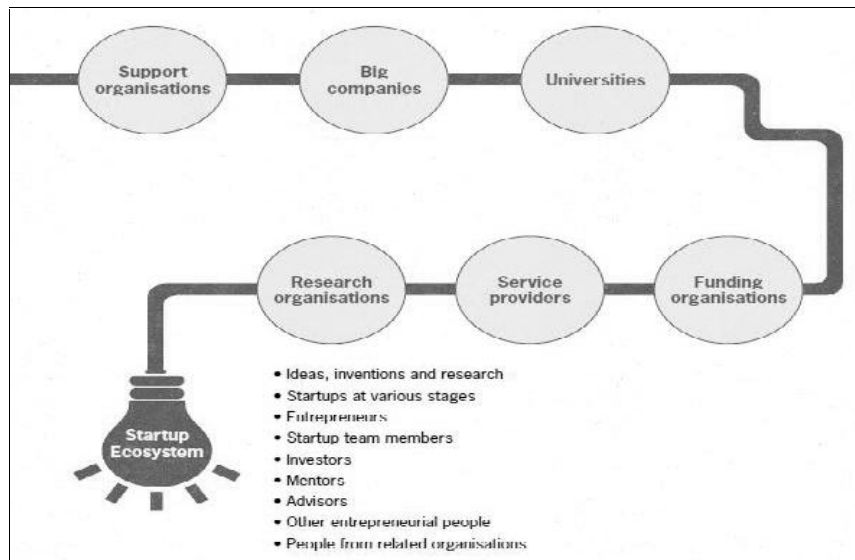
A mission called "Start-up India, Stand up India" was announced on August 15, 2015 by our Honorable Prime Minister Shri Narendra Modi, to help the startups through Bank financing and also incentivizing them for job creation and for boosting entrepreneurship in India. Modiji was addressing the Nation on the 69th Independence Day, and he reiterated strongly by saying, "We are looking at systems for enabling start-ups and we want to enable start-ups to make India No. 1 in this field.... Start-up India; Stand up India." The Government's Union Budget allocation of INR 1,000 Cr. towards the Self Employment and Talent Utilization (SETU) scheme further boosted the setting up of startups in India.

Further, on Jan 16, 2016 'Startup India Movement' was launched in India for encouraging the startups. Reviewing the current scenario we feel proud to say that India is amongst the five largest startup communities of the world and the youngest of them all as per a survey statistical report available. In a nutshell we can define startup as: 'A startup company is a new venture, developing innovatively a product, process or service to meet the marketplace needs. We can say that the 'Entrepreneurs' are often visualized as larger-than-life characters, the dis-satisfied ones questioning things which everybody else takes for granted, taking big risks, making their own rules and individuals who think out of the box types, analyzing critically. Successful startups are usually created by those who are driven by an idea and are passionate towards solving problems faced by the masses as a social

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~ The chapter is based on the paper presented in "National Conference on Emerging Trends and Scope in Digital Banking, Cashless Economy & Innovations in Commerce and Modern Management & International Seminar on Global Economy: Opportunities and Challenges" Organized by Inspira Research Association (IRA), Jaipur & Shri Bhawani Niketan Girls P.G. College, Jaipur, Rajasthan, India. 29-30 September, 2018.

cause, pointed out Modiji. Precisely, such entrepreneurs are not into making money but passionate towards solving problems, wherein money turns out to be a by-product for them.



Source: ASSOCHAM India (2016) Startups India - An Overview

The "Startup India movement" was launched by our Prime Minister to give impetus to the 'Startup Wave' for such entrepreneurs who are compassionate for others and startup innovators. He wished the Indian youth to turn from job-seekers to job-creators and to focus on crop wastage and cyber security as a major national issue.

Startup India for a Financially Successful India

To encourage the Startup India movement and as a step towards patronizing and promoting the movement various new incentives were declared for the Startups:

- A self-certification based compliance system for Start-ups would be introduced for nine labour and environment laws. Innovation would be encouraged through promotion of AIM (Atal Innovation Mission).
- No inspection for the first 3 years.
- Promotion of Start-ups by exempting them from paying income tax for the first three years, on their profit.
- Mobile app for startup registration in one day
- Startup India hub as single point contact
- Exemption from capital gains tax on personal property sold to invest in startup
- 80% rebate on patent filing fee
- Bankruptcy Bill 2015: 90 days to exit business
- 500 tinkering labs
- 35 public - private incubators

- 31 Innovation centers at National Institutes
- A dedicated Start-up fund worth Rs.10,000 crore will be created for funding of Start-ups.
- Credit Guarantee scheme for loans
- 5 new Bio – clusters and 7 new Research Parks
- Patent regime and IPR to be simplified

Startups: Promotion in India

Nasscom, a software industry body, presented in a report that 2016 witnessed a 40 per cent growth in the number of accelerators and incubators. The accelerator ecosystem in India has been growing rapidly--56 accelerators were launched in 2016, adding up to a grand total of about 140. Besides these, there were 30 additions last year under an academic umbrella with support from the government's Startup India, Standup India initiative. The role of the Incubators is to provide support to startups from the time of idea-generation and typically handhold them for 6-36 months. The Accelerators on the other hand are more sharply focused on the growth stage, providing startups mentoring as well as financing for shorter durations of 3-12 months to help kick-start their businesses. India ranks behind China and the United States, in terms of the number of accelerators.

Adding pace to the movement there have been various venture capitalists in India like Helion venture partners funding startups like Make-my-trip, Net-ambit etc. Accel Partners (Flip-kart, Book-my-show), Sequoia Capital India (Just-dial, Bankbazaar.com) just to name a few. These venture capitalists provide expert opinion to the startups on how to grow their business besides funding them. For a developing economy like India Entrepreneurship proves to be very important as it causes economic growth by creating job opportunities. Employment results in creation of wealth for the people here by increasing their purchasing power.

Balanced Regional Development and Balanced Economic Development are important advantages associated with a start-up. Startups requiring low investment can easily be setup in rural and semi-urban areas based on availability of local resources in such areas very conveniently, availability of manpower hereby checking migration of the local youth to the metros. Since majority of the population resides in rural areas hence the developmental efforts should be more in such areas. Growth of business and industries in such areas also leads to various other benefits like development of road transport, focus on health and education. Hence promotion of developmental activities in such backward areas leads to regional development.

Startups: India supports Entrepreneurs

Despite a perception that the ecosystem in the country has slowed down in the last one year (TOI report), India has emerged as the third largest startup base and new ventures are almost ready to grow at a pace 2.2 times to reach 10,500 by 2020.

Startups: Boom in all Sectors

In the current scenario the modern biotechnology plays a crucial role in both the aspects:

Analytical explanation of the molecular causes of disease and the development of new diagnostic methods has enhanced targeted drugs for the society. The biotech industry, associated mostly with small startup companies have been given birth to by these developments. Further, focusing on nurturing the startups, facilitating industry-academia interactions, and promoting student entrepreneurs in a large way, the Department of Biotechnology, Ministry of Science & Technology, Government of India, came up with the Biotechnology Industry Research Assistance Council (BIRAC). Empowering and enabling the innovation ecosystem the established healthcare companies have also been successfully employing these modern techniques.

Reinventing things how they have to be done characterizes the power of startups. Startups have shown a marked difference as they are not tied to the age old technology domain alone; they aren't simply trying to improve upon the old conventional systems but they are trying to be innovative. Needless to say they borrow from Henry Ford, to invent automobiles. Disruption enables the Startups to be more responsive and innovative. A quick comparison shows the Startups to be more flexible to build the best products for the market by interrupting the established ways and procedures whereas the larger companies cannot move as quickly because they have the defined procedures and scrutiny, they are limited by older technology, and other competing investments to be made. A healthy growth of the ecosystem has been witnessed World over with a total funding of approximately USD 4 billion and a count of close to 650 start-ups being funded. Startups are agile, fast, and light in movement hence they can be disrupted and rebuilt easily than the established companies. On the contrary the established companies often focus on improving the existing products, delivered through established processes and ways of thinking hereby delivering incremental change.

Startups have been characterized by having a lean size; they have limited headcount and budgets, so they are focused on building products that serve one industry or business function, hence specific in nature. On the contrary larger organizations compete across verticals and functions, hence do not cater to a specific role or function. Being the need of the hour the Startups can focus specifically on building solutions that address concerns for one business function, so customers know they have a best-of-breed solution to their problem.

Startups are quick in implementation. By virtue of being flexible in the initial phase Startups without many constraints are able to quickly deliver powerful services to the new customers. In keeping the minor conformations up front the customers realize the value of their investment much sooner. Implementation of strategies are

faster in startups as the people working in the startups are anxious to make their presence felt, hence they put in their best of efforts in building their business. The founders of the desi brands like the cab-hailing companies, craft beer startups to homegrown quick service restaurant (QSR) chains are all finding new destinations in the global markets.

Startups: Venturing into the Global market

The Gurgaon-headquartered QSR startup Burger Singh has piloted two outlets in the UK and plans to launch 18 more by 2021. The Londoners will now be able to feast on Biharigosht burgers and aloopyaz rings.

Also the Uber's rival in India – Ola, headquartered in Bangalore has bold plans to venture its business in the UK, very soon.

Also the Oyo Rooms expanded to China in the month of June and also have plans to foray into the European markets very soon.

Venturing into the Global markets of the US and Southeast Asia with their product craft beer Bira 91 the New Delhi-based manufacturers B9 Beverages have taken a bold step, similarly their rival group White Rhino has tapped into the UK and Nepal to compete with the local brands prevalent in the area. Similarly to cope up with the global markets Burger Singh outlets in the UK will serve liquor and will function on the lines of a pub, suggested Kabir Jeet Singh the cofounder of the chain. As per a study, the statistics related to the Startups include:

Startup Statistics

- 51 percent of owners of small businesses are 50-88 years old, 33 percent are 35-49 and only 16 percent are 35 years old and under.
- 69 percent of U.S. entrepreneurs start their businesses at home.
- While around 9 percent of all American businesses close each year, only 8 percent are opened.
- 51 percent of people asked, "What's the best way to learn more about entrepreneurship?" responded with "Start a company".

Startup Statistics for Finance

- The vast majority of startup funds (82 percent) came from the entrepreneur himself or herself, or family and friends.
- 77 percent of small businesses rely on personal savings for their initial funds.
- 40 percent of small businesses are profitable, 30 percent break even and 30 percent are continually losing money.

Best Startup Statistics: Industries

- The industries with the highest success rates were finance, insurance, and real estate - 58 percent of these businesses were still operating after 4 years.

- 15 most profitable small business industries by net profit margin (NPM) are:
 - Accounting, tax preparation, bookkeeping and payroll services: 18.4 percent NPM

Worst Startup Statistics: Industries

- Of all startups, information companies are most likely to fail, with only a 37 percent success rate after four years.
- 15 least profitable industries in the US by net profit margin (NPM) are:
 - Oil and gas extraction: -7.6 percent NPM
 - Support activities for mining: 0.6 percent NPM
 - Automobile dealers: 3.2 percent NPM

We can Conclude on the Basis of Our Study

- If you want to start your own business, don't let the startup statistics provided above put you down because after all, you're more likely to succeed if you've failed than if you've never tried:
- Founders of a previously successful business have a 30 percent chance of success with their next venture; founders who have failed at a prior business have a 20 percent chance of succeeding versus an 18 percent chance of success for first time entrepreneurs.

Startups with more than a billion-dollar valuation are known as Unicorns. We took in India have 10 unicorn companies, making them the poster boys of the country's startup ecosystem. With almost all the founders being IIT alumni and their startups holding outstanding positions in the elite club, we have e-commerce giants like Flipkart, Snapdeal and Shop-Clues, cab aggregator Ola, restaurant aggregator Zomato, classified ads platform Quikr, digital payments company Paytm, mobile adtech player InMobi, messaging app Hike and analytics company Mu Sigma.

The most remarkable fact about the Unicorn founders is that the maximum founders have been from IIT – Delhi: Sachin and Binny Bansal of Flipkart, Sanjay Sethi of Shop Clues, Zomato founders Deepinder Goyal and Pankaj Chaddah, Snapdeal's Rohit Bansal and Quikr's Pranay Chulet and Jiby Thomas (now founder of Webbuterjam Digital). IIT – Bombay alumni include Ola's founders Bhavish Aggarwal and AnkitBhati. IIT – Kanpur alumni include Inmobi's founders Naveen Tiwari, Abhay Singhal and Amit Gupta, while their co-founder Mohit Saxena was an alumnus of IIT Roorkee.

According to statistical study that lists universities that have produced the most unicorn founders, the Indian Institutes of Technology (IITs) bagged the fourth spot, US-based Stanford University claimed the top rank with 51 unicorn founders, followed by Harvard University with 37. Lastly, it was The University of California that came

third with 18 unicorn founders and IIT followed with 12 founders. As per a report the statistical projections for 2030 figure out India to be amongst the youngest nations in the world with nearly 140 million people in the college-going age group, one in every four graduates in the world will be a product of the Indian education system (Times of India, 2014), 50 per cent of the youth would be in the higher education system, at least 23 Indian universities would be among the global top 200, six Indian intellectuals would have been awarded the Nobel Prize, the country would be among the top five countries in cited research output, its research capabilities boosted by annual R&D spends totaling over US\$140 billion (Business line, 2014).

The momentum for promotion of startups was set by the Government's 'Make in India' initiative. Previously 'Startup India has been a much appreciated, much needed and an innovative initiative of the Government of India for encouraging people for startups in India inviting them to contribute and strengthen the country's main economy. The 'Startup India' campaign has been an equally ambitious campaign as the Make in India program. As part of the campaign currently the core focused segments in Startup India are technology & digitalization in the area of agriculture, manufacturing, social sectors, education & healthcare sectors. India's large demographics availability is itself a huge opportunity for any business segment trying to establish a dominating position in the global market. Needless to say any multinational company, wanting to become a trend setter in the upcoming time, has to have its presence in India. In the present scenario startups and entrepreneurs in India have the best opportunity and a huge home advantage.

At a time when the nation is gearing up for the Startup India, Standup India policy of the government, the country's largest bank, State Bank of India (SBI) has launched 'SBI In-Cube', a dedicated branch for startups, in Bangalore. The branch will cater exclusively to the banking needs of startups. "This will be a one-stop financial advisory for startups. From registration of the company, payments, tax liabilities, legal issues and other such advice, this branch will counsel startups," said Arundhati Bhattacharya, chairman of SBI. The bank will have a help desk and also a monthly newsletter, which will update startups on new regulations, requirements, and government schemes, if any. SBI In-Cube however, will only offer financial advisory and not loans. "When the startups mature a bit and start showing some profits, we will certainly look into it. Profitability is a requirement," said Bhattacharya.

The Narendra Modi-led government at the Centre has in the last couple of years encouraged the setting up of Startups by providing easy accessibility of funds for entrepreneurs to start new businesses. To further accelerate the setting up of Startups, SEBI raised the total number of angel investors who can now invest in a startup company to 200 from 49. Further impetus was given by reducing the minimum investment amount to Rs 25 lakh from Rs 50 lakh earlier. The

major thrust from the regulator said that an investment by an angel fund would be locked-in for one year, down from three years which used to be earlier. Looking at the present scenario we can conclude that our nation is poised to entrepreneurial environment in the true sense. With the Government's encouraging behavior towards the people to start setting up their businesses and the liberal steps being taken to boost up the environment seems to provide a bright future for the startup Industry in India. This will certainly boost the GDP as well as strengthen our Indian economy.

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