

START-UP INDIA

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ABSTRACT

In India, 90% of start-ups fail within the first 5 years of starting. Many claim it to be a lack of funding. The government of India has started an initiative, 'Start-up India' to bridge this gap as well as make sure that compliances become easy to understand and abide by. But these may not be the only things giving start up founders a hard time. Changing government policies are also playing a major role of late.

- Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded Rs. 25 crores, and
- The entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

INTRODUCTION

According to the Department of Industrial Policy and Promotion (DIPP) a star up is defined as an entity

- Which has been existing up to a period of not more than seven years from the date of incorporation/registration, if it is incorporated as a private limited company or as a partnership firm or a restricted liability partnership in India. (The period is 10 years in the case of it being a biotechnology company), and

Provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Start-up'.

The Start-Up India Mission is one of the flagship programs of the Government of India. The aim of this initiative is the catalyse the start-up culture in the country and promote inclusiveness and strong system for entrepreneurship in the country. This will be done through tax breaks and availability of funding and line of credit from the government.

Large population with a high percentage of middle-income group, educated youth with

technical background, IT domination, high internet and mobile penetration are some of the drivers that have thrown up opportunities for spreading start-up revolution in India. However, the start-ups in India still face a challenging environment in their day to day operations, something which the government is working on, along with the entrepreneurs, to minimise.

LITERATURE REVIEW

India is a south Asian developing country which has the second largest population and is the 7th largest country by area. This large population makes India a huge market and puts pressure on its citizens for employment due to tough competition. In recent years India is making an important shift towards startups and welcoming economic policies and adapting to pro-business environments in order to increase the number of entrepreneurs to venture into startups.

An entity shall be considered as a startup-

- 1) If it is registered as a partnership firm or a limited liability partnership in India or is incorporated as a private limited company.
- 2) Up to 7 years from the date of its inception or registration, but in the

case of biotech startups the period is up to 10 years from its inception.

- 3) If for any of the financial years it has not had a turnover exceeding INR 25 crores.
- 4) If it is working towards development or innovation of products/services or has a scalable business model.
-An entity formed due to splitting up or reconstruction of an already existing business is not considered a startup.

Prime minister Narendra Modi announced on the 15th of August, 2015, "Startup India, stand up India." This was in order to promote banks to finance startups and promote entrepreneurship and employment. He said that we must try and make India number 1 in the field of startups and entrepreneurship. The government also allocated INR 1000 crore towards the SETU scheme (Self Employment and Talent Utilization).

Prime minister Narendra Modi also announced the implementation plan for encouraging startups in India on 16th January, 2016 which included:

- credit guarantee plans.
- building of incubation centers in national institutes.
- convenient exit policies.
- easy registration process for startups.

- special plans/schemes for women entrepreneurs.
- support for biotechnological startups.
- an 80% reduction in patent fees and fast tracking.
- new intellectual property rights protection laws.
- self certification compliance laws for labor and the environment.

Problems faced by India

Although the decade 2010-20 is declared as the decade of innovation in India, the country faces great problems when it comes to developing the required start up environment.

This is due to the lack of knowledge and exposure, unambiguous and transparent laws and policies and the fact that most Indian businesses are unorganized and fragmented. In order to build the required entrepreneurial business environment, the government should create a spread of awareness, knowledge and transparency by providing seminars, mentor programs and workshops which will be welcomed by the citizen of this highly prospective and opportunistic country.

Opportunities for startups in India:

The idea of starts ups has been well received in India this is mainly because of the amount of jobs it can provide. In the latest UN article India has a huge population between the age of 10-24 years that number is 356 million. This youth is

the main propeller for development, creation and future pioneering in India. The youth will demand a larger number of jobs than which are currently available as there are more educated youths growing up in the country. They will join the workforce and will play the most important factor in driving the nation's development and growth. And since the country needs development in the fields of sanitation, well-being, lifestyle and other areas the youth can undertake startups that will not only provide them with profits but will also provide social development. It is also believed that by the year 2020 the country will face a "statistic reward" period in which the working age population will be greater than the non-working age population. This period will allow new businesses to recruit the skills they need and will surely propel new businesses forward. A survey done by Economic Times also showed that more and more understudies are joining new businesses/ventures and online business organizations. Startups have also starting giving higher pay packages in order to recruit the necessary skill required by them, along with this there is also a greater investment by Indians and foreigners in the startup business. Progressively, a trend can be seen wherein mid-level authorities are resigning from big firms with an end goal to work for a new innovative business and cause.

Startup India is the national flagship initiative, launched by the Prime Minister in 2015, with a mandate to promote and encourage young entrepreneurs to transform India into a Startup nation, “a country of job creators instead of job seekers”, as stated in the “**States Startup Ranking Report**”, by the Government of India, Ministry of Commerce and Industry, Department of Industrial Policy and Promotion, (2018). However, the study conducted by Pandey (2018) in the research paper, “**An Analysis of Startup Ecosystem in Metropolitan City in India**”, defines it as a “Startup Ecosystem” which reinforces the fact that, the goal for any startup ecosystem is to develop a self-sustaining network of talent and resources that seeks to solve issues affecting not only the Indian economy, but also the Global Scenario, as a whole.

The Start-up India initiative is driven by a 19-point Action Plan spanning across areas such as “Simplification and handholding”, “Funding support and incentives” and “Industry-academia partnership and incubation”, it lays down the roadmap for creation of a conducive ecosystem for the growth of Start-ups in India, as mentioned by Ramesh Abhishek, IAS, Secretary to Government of India, Department of Industrial Policy and Promotion, in the “States Start-up Ranking Report”, (2018). The action plan includes tax sops, ease-of-doing business and innovation to help entrepreneurs to start-up and grow their business (Forbes India,

Start-up India, 2016), as stated by Pandey in his research. Furthermore, the report demonstrates the Lifecycle of a Start-up, establishing Growth Stages, Start-up Ecosystem Players, The Start-up India Initiative as well as its achievements.

The report has been successful in conveying the implications of Start-up India with reference to boosting of Economic Growth, leading to Economic Development in the long term. They include: Start-up India Online Hub, International Partnerships in the form of tie ups with Swachh Bharat (waste management and sanitation), Agriculture Grand Challenge and Department of Industrial Policy and Promotion (DIPP). One of the key objectives under the Start-up India program is Government contribution to help connect Indian Start-up ecosystems to global Start-up ecosystems through various engagement models along with “Start-up India Yatra”.

The Conceptualization and Evolution of Ranking Framework, as defined in the “States Start-up Ranking Report” is a vital element to understand and analyse the Start-up environment and its effects on the Indian Economy which overall presents a holistic picture about Start-up India effectively. The report by government of India is successful in establishing the Vision, Conceptualization and Launch of Ranking Framework which further aides the conclusions.

Manshani and Dubey (2017) in their research paper talks about Indian women at the epiphany stage of entrepreneurship coming forward with their innovative and creative ideas for successful start-ups and achieving their dreams and aspirations in a man dominated world., Despite several hurdles like family obligation, funding issue, Fear of Success they have made their own identity. There are various financial training and mentoring programs such as Nasscom, Google, IIMs, Media, etc. that help women entrepreneurs in forming business plans and seeking funds from banks and VCs. This creates visibility especially among foreign investors Amazon. This type of a support and enhanced awareness about gender diversity fuels hopes for women in start-ups. For the last few years, several women operated start-ups such as Lime Road, Kaaryah, Zivame; Media tech companies like Your Story and POPxo and women-only job portal, she roes have fascinated investors and are scaling business significantly. A study done by the Dell Women's Global Entrepreneurship which interviewed 450 women entrepreneurs found that, India was one of the most favourable places for women entrepreneurs to set up their ventures and that businesses owned by women entrepreneurs is to grow up to 90% in the next 5 years in India. Government and non-government bodies have paid immense attention to women's economic involvement through self-employment and industrial ventures by launching numerous

schemes for women Upliftment. A report by the Organization for Economic Co-operation and Development (OECD) estimates that the annual growth of the economy could get a boost of 2.4%, if India implements pro-growth and pro-gender policies.

Chandiok (2016) in her research paper explains the various factors why India is one of the most favourable places for entrepreneurs to set up their Start-ups. India has managed to emerge as one of the top three countries in terms of number of businesses started and it is home to more than 4000 start-ups. Strategic opportunities that motivate buyers in India to go ahead and acquire another venture are opportunistic acquisitions, profitable operations or/and gain on exit, enhanced intellectual property, defence against competition, investment in another function in the supply chain, expansion in their customer base and geographical reach.

Indian Ecosystem is best in acquiring, technology acquisition, market consolidation, and customer acquisition, Increase of momentum which helps investors get more exit opportunities. Start-ups are adopting innovative approaches to get and retain top talent which attracts investment. The success of Start-up India campaign hinges on initiatives like faster and easier registration of Companies, self-certification for many legal requirements, zero

inspection for three years and funding for patents. 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. The Government proposal do so, across Universities, innovation movements, research parks and industry parks is on similar lines.

According to Kumar (2018), a successful start-up requires the right idea and of course the funding. But while these two are 2 very important things there are other challenges faced by start-ups which if not tackled in time and not tackled well, may lead to their demise. The need to serve the right product to the market is also very important, as almost 50% of start-ups fail due to this very reason. Aside from this, one also needs a good mentor to guide them through their journey. Most start-up founders are new to this world and a good mentor can make all the difference. Founders may also feel pushback from investors if they are not on the same page and if the problem is not resolved it may result in the investor(s) trying to take control and kick out the founders.

A major hurdle is the numerous rules and regulations. From getting the paper work in order to kick start the business to filing all taxes properly, such tasks need to be handled head on. Compliances with government norms is essential, especially since regulations regarding labour laws, disputes and intellectual property

are very rigorous in the country. There should also be good and effective management control as all resources need to be handled judiciously, since a start-up is generally low on all kinds of resources. Other than this, founders in India often try to copy the models of Silicon Valley companies not realizing that those kinds of models are suited for the Western World and will in all probability not work in India.

Opportunities for start-ups lie in the growing population of India, with working age population set to overtake non-working age population by the end of the decade, it will provide opportunities for start-ups to fill up the gaps in the infrastructure and provide for the growing demand. Another advantage is the increasing interest of venture capitalists in the country, with companies like Tiger Global Management, Softbank, Sequoia Capital, etc. actively investing in billions of dollars in Indian Start-ups. They are also joined by domestic investors from major business houses such as Ratan Tata who has an investment in Ola and Azim Premji, investor in Myntra, to name a few. The government is also announcing schemes to give stimulus to start-ups such as Start-up India, which aims to provide tax and compliance breaks for limited periods as well as initiatives such as E-Biz Portal which aims to make issuing of permissions and licenses a much faster process.

According to Jotwani (2016), funding is a very important matter for any business, even more so

for a start-up, but it is not the only thing that matters. A business is not only influenced by the amount of money it gets in its bank but factors such as labour, technology, location, natural resources also play an important role in determining its success. Another major problem that start-ups in India face is having to tackle government regulations.

There is this common misconception that financing of businesses alone leads to economic growth. However, this is only partly true. Financing only gives stimulus to economic growth, if other factors affecting business like infrastructure, technology, policy, etc., are less developed. When you compare America with India you will find the impact of financial credit on economic growth is much more in India than in US. This difference is also true when you compare the different states within India itself. For example, in the paper it was found, using econometrics that, there is existence of unidirectional casualty of Total Credit to Industry (TCI) and Total Bank Credit (TBC) (banks have a share of 64% of assets in the financial sector) to Total GDP Growth in the state of Bihar. However, no such relation exists in case of Gujarat. It is interesting to note here that while on one hand Bihar faces problems with poverty and unemployment with high population growth rates, on the other hand, Gujarat offers favourable conditions and has well developed infrastructure. It is found that in states placed high up on the Ease of Doing

Business Ranking India, i.e. a ranking of the states of India, there is an absence of casualty between the 3 components, this is because the business climate and facilities, such as online tax filing systems and computerized application filing and tracking, are favourable in these places, such that businesses can thrive without the need of continuous capital infusion or credit. Whereas, in lower ranked states such as Bihar due to lack of favourable climate and facilities, financing is needed to provide stimulus to growth.

Hence, it is important that the key focus should be on development of infrastructure facilities and promotion of use of technology along with the right regulations and policies relevant to the current times, so that we do not have to rely on increasing financial credit to give stimulus to growth. The Start-up India scheme, for example, provides three-year tax and compliance breaks intended for cutting government regulations and red tapism.

Start-ups are a developed and rehabilitated form of an entrepreneur; they are a juvenile organization that have just started to emerge. They are an entrepreneurial venture designed to reach for a climbable business model and are presumed to be an effective instrument for India's transformation. On 15th August, 2015 the government under Narendra Modi announced the initiative of Start-up India to provide budding entrepreneurs with certain

opportunities and incentives to start their own businesses.

Dutta(2016), in her research paper titled **“Start-up Initiative”** has presented a detailed study on the significance of Start-ups in India. According to her study India requires such initiatives taken by entrepreneurs in order to create jobs, increasing the quality of life, providing individuals with economic freedom, changing the world which would in turn reduce the level of poverty. This paper also states the roadblocks that start-ups face during their initial stages and the role of the government in sharing this load as well as their involvement in establishing new businesses. Thus the government through the initiative of Start-up India has developed a pool of Rs.2500 crores with a total aggregation of Rs. 10,000 crores over four consecutive years to help new entrepreneurs. Life Insurance Corporation of India plays an important role in establishing this fund to provide individuals with an opportunity to start their own business. However along with financial aid the initiative also provides individuals with support in the form of technology, economic and social environment. The paper also presents the importance of gender roles in starting a start-up. It states the role of women and their contribution in providing new innovative ideas and taking risks to sustain their credibility in the economy.

Upadyay and Rawal(2017), in their research paper titled **“Start Ups; Let’s Start Them Up -**

An Inside View in the Indian Start Up Scenario”, write about the long lasting impacts of start-ups in an economy and the standard of living of a nation. Through their paper they answer an important question which Is-How start-ups are shaping the very structure of economy in India or elsewhere (In similar economies)? In India, the government is constantly trying to create an environment which is both conducive and optimum for start ups. The reason behind this is very simple, start-ups are essential for the entrepreneurial and innovative growth of a nation. There are several nations that are smaller than ours and less naturally equipped than ours, but has made tremendous growth and advancements in the field of economy and overall development, the case of North Korea can be taken into account as an example. The reason behind their success is innovation and development. Thus if India wants to be in the front lines with the various developed nations of the world the key to its success is innovation which can be brought about with the assistance and development of Start-ups. The sincerity of growth of start-ups is evident from the level of consultation and funds provisioned in Start-up India scheme. Thus if the efforts of incubation centres and acceleration centres are fully realized, there is no doubt that India has the potential to become the hub for the start-ups in the world which would result in it becoming an official entrepreneurial economy.

The startup movement in India needs to attain critical mass to contribute to the 15-20% global GDP it aims to attain. Startup India is aimed at starting a spree of unique business models. Many factors such as making capital easier to attain, easier entry and exit norms, etc. were included under this scheme. India needs to realize the reality of modern business and the input it requires. This scheme has been promised 10,000 crores by the government within 4 years which can attract tenfold investment by year 2020. Regulations that hold investors back are being eased out. Exemption from capital gain tax and a three-year tax holiday are being emphasized as the key responsibilities of the government.

Easier exit norms have also been a key influencing factor for entrepreneurs getting scared about what will happen when the business fails. Patent filing made easier has given a push to the startup initiatives. Economically disadvantaged are also being influenced to participate in the mainstream with aid by banks and other financial institutions.

This startup India initiative was flagged off on 16th August, 2016 by Finance minister Arun Jaitley with an aim to provide the maximum help the government can for the new and emerging businesses. This aid extends to most external factors affecting an organization such as Economic, Technological, etc. Many individuals have brilliant ideas and are too

scared to initiate it into a business and the government wants to avoid this and hence, started this scheme. It needs to be done intelligently and strategically otherwise can lead to failures too.

India is the third largest startup hub globally and wants to top this chart and schemes like these are key to that happening. These entrepreneurs are young and risk taking and come mainly from metro cities. They want all the aid they can get so they can spark their business. The key to these startups continuing to exist is that they need to grow very quickly otherwise they cannot cope up with the market. A startup is characterized as a startup only till it has a revenue of up to INR 25 crore. Many incubators have been set up along with a startup India hub which will help exchange knowledge and get access to funds. Patent protection has also been offered by the government.

The government has started having dedicated programs in schools for scholars and students interested in starting their own business later. Applications for registration can now be given through online mediums and the entrepreneurs facing issues can contact government representatives online directly. Mudra banks provide great support by providing easy finance to those who need it to set up their businesses. The Atal innovation mission has also been set up to help the businesses promote themselves.

The government also helps increasing the customer base by increasing the awareness and

credibility of organizations. Online marketing has also been encouraged due to reduced cost and wider base of potential customers.

Lastly, the government has made it much easier than before to set up new businesses and has really encouraged many new people to try their hands on building dynamic businesses to supply the public with what they need.

OBJECTIVES

- To find out the problems faced by start-up founders before commencement of business
- To find out challenges faced by start-ups after commencement of business
- To understand what the government is doing to minimise these problems and challenges
- To understand if and how the government is helping to boost the start-up ecosystem in the country
- To know how government policy on taxation is affecting start-ups in India
- To know how funding works for a start-up
- To identify the driving forces and barriers in India's path of becoming a start-up hub.
- To understand the relationship between start-up and India's Economic Growth

- To produce suggestions to make the start-up environment more conducive in India.

Research Questions

How are start-ups helping in the economic growth of the country?

What are the challenges faced by start-ups in the country? What are they doing to tackle them and how is the government helping them?

What are the problems faced by start-ups to raise funding?

Research Methodology

The method used in this project is Primary Research which will be conducted in form of both -Qualitative as well as Quantitative methods of data collection. That will be done to understand each aspect of information available, to analyse the information and draw conclusions on the same. This project also includes secondary research – which includes the use of internet sites like the official Start-up India site, as well as the Government of India site, MOSP and India stat, etc. Furthermore, we will conduct Interviews, Surveys, Questionnaires and Focused ongroup discussions to get a better take

on the topic as a whole. To go to a further depth of research, we will also call and visit various Start-up businesses, along with a start-up hub in IIT Bombay. We will be able to make further conclusions by our fortunate talk with a government official as well.

Questionnaire:

1. What is the name of your start up?
2. What was the year of establishment?
3. What is the sector/industry of your start-up?
4. What is your employee strength? Do you expect it to increase with expansion?
5. Have you received any tax benefits from the government?
6. Has your start-up been affected by Angel Tax in any way? If so, how?
7. Have you faced any issues with regards to certain government policies and regulations?
8. What problems have faced in your start-up journey other than tax and government policies and regulations?
9. How have you funded your start-up till now, and how do you plan to raise funds in the future?
10. Where is the location of the headquarters and why? Does it provide any kind of advantage?
11. Are you aware of the Start-up India Mission? Has it helped you in anyway?
12. Have you availed benefits of any other government schemes geared towards start-ups?
13. Do you think that the government is doing enough to give stimulus to the start-up ecosystem in this country? What more do you think can be done for the same?
14. Would you consider shifting your start-up base to another country if the opportunity arises? If so, why would you choose that country over India?

CASE STUDIES: **ANALYSIS AND** **INTEPRETATION**

Case 1: Just Baked

Just Baked is a startup established in 2017. It is a baking company which bakes tailor made cakes as per the customer's requirements. The company has a strength of 3 employees, 2 co-owners along with a baker who assists them in the baking process. The company has not been a profitable entity since its inception and hence does not avail any tax benefits from the government, it has also not been affected by angel tax. On asking whether the company

faced any issues with certain government policies and regulations, the answer received was, “No, not at all.”

On asking what problems were faced by the company other than tax and government policies and regulations, the owners said mainly acquiring their initial customers through aggressive social media marketing and hiring of a third baker who possessed the necessary skill set. After that most of their customers came through word of mouth and social media platforms such as Instagram and Facebook.

Just baked was funded by the co- owners themselves. The company is looking to become profitable in the next year before trying to expand. If they do, then they will look at borrowing from family before taking a loan or getting an external investor on board.

The location is in Lokhandwala as it close to the owners’ homes and it is easy for customers to pick up their cakes or get them delivered as most of the existing customers reside in and around Lokhandwala. The company has not availed any benefits geared towards startups. Which is an important point to note as this may be the reason that the company is not profitable. The owners are not well informed about how much and how the government is helping startups.

The owners said that they would prefer to run their business in India itself.

Case 2: E-Cell (IIT Bombay)

When we went down to the centre to ask them about why they started a thing like this, what was the purpose and what response are getting from it, along with their future plans, we found out the following. Their rational behind introducing such a concept was to encourage – it’s a confluence on visionary students, professionals or anyone who has passion for making a change and leaving behind a dent to make the world a better place. It’s for people who want to start their own business, fund a venture or become a trendsetter.

IIT offers a Start-up services platform that provides the most basic necessities for start-ups at concessional rates as compared to market rates.

They believe this E-cell will transform the students into successful entrepreneurs and help them to grow and face the world with better abilities. Start-ups have become a very important part of today’s world as they create jobs, gives job security, gives monetary gains, improves quality of life, it’s a form of social recognition, pride and even a legacy. They believe it will help shape them up and make them ready to face the real world out there from a very early stage. This will also result in economic growth as more domestic businesses will come into existence and hopefully improve

the exports, giving a favourable balance of trade and balance of payment, even resulting in strengthening of the rupee in the future, overall benefiting the Indian Economy in terms of growth, development and increase in quality of life.

At present day, start-ups are growing like a grapevine. Both males and females are getting into it. Even females are coming with more ideas and they are taking the risk to sustain their credibility. This is reducing the gender bias of the state encouraging women empowerment and development of the HDI. Indian start-ups attempt to build the start-up environment with important education, talent, innovation and incubators with correspondence to funding agencies. Now the government is also supporting the Start-ups.

According to NASSCOM, India ranks third in global start-up ecosystem. More than 65% growth is seen in the year 2015. Start-up is an opportunity for an entrepreneur to educate and inspire others while some are thinking of how to do and what to do. Although, entrepreneurs are facing problems but still they are rising like a sun. They have the determination to setup and divert their energy to plan, support and execute their dreams and contributing to the growth of the economy. This new initiative of start-ups pledges rapid approvals for starting the business, easier exits, tax rebates and faster registration for the patents. This initiative holds the potential of creating the jobs when the

manufacturing sector is having a downfall. For any new idea to become successful venture it requires appropriate support, mentoring and adequate funding either personally through loans or by pitching their ideas to venture capitalists or other financing authorities.

Case 3: Sociato – A Creative Agency Start-up

Founded in 2015, Sociato is a digital creative agency, which was born by the desire to create beautiful brands and immersive digital experiences for businesses of all sizes. It enables entrepreneurs build their brand from scratch and companies scale up their brand presence on digital media. They use an approach based on strategic consulting, lean methods and customized process to help their clients build stronger brands. Sociato integrates and implements all the expertise of the digital era: web design and development, SEO, e-marketing, social networks and content marketing. They have a team of only 9 members. According to the founder of Sociato, even the small numbers they are doing well. They have a contract with more than 40 companies. With such a small number it is easy for them to make decisions and helps them work better. When interviewed the interviewee said that they have no doubt that the Narendra Modi government understands the fundamentals of business. Yet, start-ups are not your regular business and fostering entrepreneurship goes far

beyond investments and returns. So, while programmes such as Make in India or Digital India followed straightforward principles of business promotion, Start-up India is a little complicated. It needs to break all templates to get it right. Having built and nurtured start-ups, he has a personal interest in the initiative. Indian start-ups are hungry and impatient. They have been waiting for a long time for the government to recognise “entrepreneurial explosion” worldwide and play an active part in encouraging its spread across India. There has been no dearth of ideas and innovation. But, until now, as experienced in the Indian IT industry, the start-up universe has succeeded largely despite the government. Now that the government is diving into these exciting waters, albeit a little late, it is imperative that they get it right. The key for success in that according to the interviewee is to remain competitive, narrow the focus, etc.

Yes, start-up India overall has helped booming a lot of budding entrepreneurs which ultimately has helped our business model.

Sociato helps start-ups and local businesses with an essential starter package. Which starts right from logo to getting the word out in the form of digital marketing.

Start-up India’s mission directly aligns with what and if beneficial for our company. More business and more entrepreneurs - more are the

opportunities for us to help promote these start-ups.

Case 4: Style-In-Me – A Fashion Portal

Style-In-Me is a fashion portal made with a view to help shoppers locate exclusive designer boutiques and stores in Kolkata and Mumbai. The start-up was established in the year 2016 however it stopped its activities in the year 2018. The employee strength of the start-up was 40 to 50 employees. The company did not make any profits in its initial years of starting therefore it did not require any tax benefits from the government and thus was not affected by the implementation of Angel Tax and for the similar reasons. The start-up did not face any problems in the day to day functioning of their business due to any government policies. However, there were several problems that the start-up faced during the years it functioned, the main problems faced by them was, Revenue Generation

1. Several start-ups fail due to poor revenue generation as the business grows. As the operations
2. increase, expenses grow with reduced revenues forcing start-ups to concentrate on the funding
3. aspect, thus, diluting the focus on the fundamentals of business. Hence, revenue generation is

4. critical, warranting efficient management of burn rate which in common parlance is the rate at
5. which start-ups spend money in the initial stages. The challenge is not to generate enough capital
6. but also, to expand and sustain the growth.

One of the major reasons for the fall of the start-up was due to poor revenue generation as the business started growing. As the operations increased, expenses grew with reduced revenue, forcing the start-up to concentrate on the funding aspect, thus, diluting the focus on the fundamentals of business. Creating Awareness in Markets-The failure of the start-up was also due to lack of attention to limitations in the markets. The start-up was funded by the founder's private savings. However, they had planned on getting investors to invest once their start-up had become more established in the upcoming years. The headquarters was established in Kolkata and Mumbai. This was because the founder was carrying out its previous business operations from these cities only. They were aware of the Start-up India Mission however they were not able to meet the certain eligibility criteria required by the scheme to avail their benefits. They were not aware of any other scheme initiated by the government towards the betterment of start-ups in India. That is one of the reasons why they felt that the government was not able to provide a

stimulus to the Start-up sector in India. They would prefer to maintain their base in India only because they felt that due to a large population their chances of market penetration in India would be higher.

ANALYSIS OF THE SUCCESS AND FAILURES OF STARTUP INDIA MISSION

Start-up India while a very well thought scheme initiated for the development of new start-ups in India has its own share of failures that may not lead to the proper

Key Benefits:

- 10,000 crore start-up funding pool.
- Reduction in patent registration fees.
- Improved Bankruptcy Code, to ensure a 90-day exit window.
- Freedom from mystifying inspections for first 3 years of operation.
- Freedom from Capital Gain Tax for first 3 years of operation.
- Freedom from tax for first 3 years of operation.
- Self-certification compliance.

- Created an Innovation hub, under the Atal Innovation Mission.
- To target 5 lakh schools, and involve 10 lakh children in innovation-related programmes.
- New schemes to provide IPR protection to start-up firms.
- Encourage entrepreneurship within the country.
- Promote India across the world as a start-up hub.
- Built Start-up Oasis as Rajasthan Incubation Center
- The ‘Fund of Funds’ of 10,000 crore rupees for start-ups by SIDBI (Small Industries Development Bank of India) has been a major attraction for ventures. The fund will invest in SEBI-registered VC funds which, in turn, will invest in start-ups.
- NASSCOM has pushed to remove funding and taxation constraints related to of start-ups through lowering of long-term capital gains tax rates for domestic investors to 10%, on a par with non-residents.
- The government has made exit easier for start-up who are about to quit their businesses. The Insolvency and Bankruptcy Code, 2016 says that start-up can close up within 90 days of filling in the application.
- The GST Bill has greatly improved the growth rate of start-ups in the country. The start-ups now are scaling up as there are no irregular issues to deal with.

Some of the successes that the scheme witnessed were:

- This scheme has encouraged entrepreneurs to come up with their start-up plans. India ranks 3rd globally in the start-up industry with 4200 registered start-ups.
- The government has set up new incubators across the country on the public-private partnership mode. As per the NITI Aayog site, 17 established incubation centres have been shortlisted for scale-up support.
- The Start-up India hub has been operational from April 1st 2016 for any queries about recognition as a ‘start-up’, incubators, funding or avail tax benefits. The hub has handled about 25,000 queries from start-ups through telephone, email and Twitter.

Failures faced by the scheme: -

- The Start-up India scheme had received around 1368 applications by mid-December last year. The Department of Industry Policy and Promotion (DIPP) has only accepted 502 application forms and recognized them as ‘start-ups’. The delay and lack of efficiency is a cause for the start-up plan to fail in some cases.
- The concerns of domestic angel and VCs on capital gains tax remain largely unaddressed.

- As of July 2016, SIDBI had chosen 8 venture funds to invest in start-ups as defined under the Start-up India Action Plan. They announced to support start-ups with 428 crore rupees. However, no money has reached any of them and it appears that many of them are struggling to raise money from the market in a constrained funding environment.
- The total amount of funding secured by Indian start-ups has also dropped by 47.7%.
- The VC firms and angel investors are more cautious while investing on Indian start-ups. It is because the conditions, the ease of capital flow and doing business are not stable enough.
- The RTI revealed the total amount sanctioned under Stand Up India was just Rs. 8,803 crores out of Rs. 26,800 crores, which is only 32.85% of the money promised by the government. However, only Rs. 4,852 crores of the sanctioned amount were disbursed to borrowers.
- Further, the Ministry revealed only 21 public sector commercial banks, 42 regional rural banks, and 9 private sector banks sanctioned the 40,934 Stand Up India loans. The lack of political will and effectiveness of the government to ensure compliance has meant 2,27,066 fewer loans than envisioned.
- The government, despite parroting progressive promises, has failed to address rampant discrimination by the banks

participating in the scheme. Nine private banks have only funded 76 ST and 2015 general category women between them. Among these, IndusInd has granted 184 out of 196 loans to SC candidates. The eight remaining private banks have only funded 12 SC candidates 4 have not sanctioned a single loan to SC applicants.

- The record is not much better for public sector banks and regional rural banks (RRBs). 42 RRBs have sanctioned 536 loans for only 97 SCs, 32 STs, and 407 women. Out of these 16 RRBs have not given out loans to any SC applicants and three have not funded any women entrepreneurs. Out of 21 public sector banks, only six have provided loans to only 100 SC Entrepreneurs. 16 banks of 21 have not given Stand Up India loans to anyone from a Schedule Tribe background.

CONCLUSION

Start-ups help in creating employment in the country. Both skilled and unskilled labour is cheap in India and hence start-ups look to take advantage of this fact rather than look for a relatively more expensive of automated route. New start-ups also promote self-sustainability and exports as more new companies would

increase the domestic output of the country, especially in the services sector.

Secondly, on challenges faced other than funding, the issue of various government policies that adversely affect start-ups came up first. One such policy is the highly controversial angel tax, which taxed the investments made by VCs and others in start-ups. The government has recently made changes to the angel tax rules but there are still calls to do away with it altogether. Start-ups are also facing intense competition from companies outside India and there are no policies in place which favour Indian start-ups over foreign companies. Government's stances on data localization and privacy has also made a lot of potential entrepreneurs wary of setting up new ventures in India which would somewhere have to deal with the issues on the same. Moreover, although the aim of the mission has been to reduce time taken to meet various compliances and processes, this has still not been the case. The DIPP has been very inefficient when it came to accepting proposals of start-ups, and the financial support has also been very low compared to the government promise of Rs. 26000 crores.

The government has recently started taking advise from eminent personalities from the business sector and is taking note of all issues faced so they can bridge these gaps.

Other than government policies, Intense competition, with deep foreign backed pockets and lack of knowledge of govt. initiatives are other problems faced by Indian based start-ups. Then there is also the case of high competition which divides the seed funding as seed funding in absolute terms is not changing but with more options to invest in, the total amount is getting divided in small amounts among many companies rather than it going in huge amounts to a select few.

And finally, on the question of funding, it's been said for long that the main problem for start-ups is getting the right funding at the right time, lack of funding is not necessarily the nail in the coffin for someone's entrepreneurial journey. Government funding or Venture Capitalists are not the only way people have sustained their start-ups. Popular options include loans from family and friends, as well as bootstrapping, i.e. ploughing back of profits into the business. So, it we can conclude that funding has not been such a major issue for start-up founders.

Start-up India Mission deals primarily with funding woes as well as reducing compliances so as to speed up a lot of processes, such as registration, tax filings, etc. However, this alone will not solve the problem of sustaining a start-up. The first thing that matter before anything else is a good idea. If the idea makes sense then the profits will come, there will be no need of continuously be on the lookout for investors to add cash to the bank. Secondly, the government

needs to market the concept of start-ups much better. The awareness about the Start-up India Mission is very low, even among the entrepreneurs. Among the 4 entrepreneurs interviewed only 1 of them was well versed with Start-up India Mission program and its benefits.

Recommendations to make the environment more conducive for start-ups are:

- a) DO away with angel tax or any other such taxing scheme which makes start ups pay more tax, this has to be in addition to tax breaks that start-ups already get
- b) Fix internal inefficiencies in machinery so that real time taken on compliances are reduced
- c) Come up with favourable policies for Indian start-ups so that they have some sort of edge over their foreign counterparts who already have deep pockets
- d) Increase marketing activities for Start-up India Mission so as to create awareness about it, allowing maximum people the opportunity to take benefit of it.

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