

## **INSTITUTIONAL FINANCIAL SUPPORT TO STAND-UP AND START-UPS, OPPORTUNITIES AND CHALLENGES**

Miss. Parvati S. Katti

Assistant Professor

KLES's J G College of Commerce, Hubballi

### **ABSTRACT**

Financial institutions support play a very important role in the process of establishing the start-up companies and their further development and operation. The government should strive to recognize innovative startups and help them to grow. This way, it influence the development and strengthening of economic activities in the country. High growth is mostly generated by innovative entrepreneurs who find and realize new business opportunities. The objective of this paper is to highlight the most important institutions with their support models that help the creating startup ecosystem, its existence, and to benefit the economy as a whole.

The term institutional support refers to the part of economic environment of industry and business. It consisting of authorities and institutions whose decisions and active support in form of laws, regulation, financial and non-financial help brings a lot of changes in the functioning of any business. The institutions could be government owned, statutory, private or autonomous. It is the government or government supported institutions authorized to take up certain activities – financing, marketing, project preparation, training to promote industrial activities. The present paper provides an overview of start-up culture in India .This paper also discuss about the various reasons of growing start-ups and Government of India's initiatives towards making India a start-up nation. At last the paper also suggests strategies that can help India in becoming Global Start up Power.

## INTRODUCTION:

India was one of the few countries which were not impacted because of the 2008 crisis. Though we faced some trouble in the following years but at that point of time also we were much better than many European nations. However that incident made an impact on the psychology of the Indian Youth. They noticed that MNCs in which they were working have been affected a lot. This incident made them think that for how long they can stay dependent on the MNCs for their job, their aspirations and their dreams. This was the point when the youth was bitten by the bug of start-ups. They started coming up with various ideas of their own companies and this number has been increasing since then. They are coming up with all types of ideas to solve the problems of the world. So this crisis in 2008 gave an opportunity to the youth of our country to reflect upon on what they are doing and what they can do. Thus they have taken a new path and courageously treading towards their goal. Nowadays students have started opening their own Start-Ups just after completing their graduation. Not only that many of the youngsters are so confident of their ideas they leave their colleges before even completing their graduation. The positive thing about this is that the investors are also ready to invest in the ideas and such companies have started getting good funding. The present paper provides an overview of start-up culture in India .This paper also discuss about the various reasons of growing start-ups and Government of India's initiatives towards making India a start-up nation. At last the paper also suggests strategies that can help India in becoming Global Start up Power.

## OBJECTIVES:

- To study about the various reasons of growing start-ups.
- To know the Government of India's initiatives towards making India a start-up nation.
- To study various financial institutions that's supports start-ups.

## Role of Indian Government:

Indian government has been supporting establishment of successful start-ups with its well-thought of policies, over the last 5 years. Its main policy pillars are funding support and incentives, industry-academic partnership and simplification & handholding. Indian tech start up industry is a big target for visionaries like Google, who has recently launched an India-focused mentorship and boot camp program for start-ups building both business-to-consumer (B2C) and business-to-business (B2B) tech products.

The mentorship initiative named '**Solve for India**' was initially launched in pilot mode in India last year along with participation from Google Developers' '**Launchpad Accelerator team**'. This institutional support system has been designed at following four levels:

1. Central Government
2. State Government
3. Non-Government Support System
4. District Industries Centres (DIC).

### **Issues or Challenges Faced By Startups In India**

**Insufficiency of Talent:** Although skilled personnel is not quite bad in India, startups just cannot afford them all the time. Often, however, the multi-skill required to make start-up success stories are very rare to find.

**Lack Of Risk-Taking:** Experiments can provide answers to many questions, which are badly required by any start-ups. However, either due to turn around time or due to financial situations they are often omitted or stymied.

**Financing:** Accumulation of funding relies upon a few elements. Individual financial dependability just as that of accomplices, the business size, associations and finding the ideal time to contribute. While it's a challenging task for most startups, a fortunate few don't confront numerous issues with it.

**Management:** As the business starts to take shape, it requires every bit of awareness to sustain the flow. Indeed, even from the beginning, an unmistakable outline ought to be as a top priority to maintain a strategic distance from any irregularity in the inflow which can enhance itself medium-term to make things wild.

**Recruitment:** This is specifically relative to your entrance to the capital. As I've stated, funding is a test for most startups, so procuring talented labor with a top to bottom learning of the concerned field, frequently ends up troublesome. Experienced people, then again, don't want to include themselves with the hazard inclusion of new companies. It's a tough issue and a lasting issue except if you have a committed and similar pack of friends.

**Right Mentor:** Having the business sharpness dependably keeps one a stage in front of others. This is, maybe, a significantly more serious issue than the gathering of financing. Cash can't concede you vision and shrewdness, however, its essential for different things. So watchful and little strides at once can enable you to assemble energy in the end over the long haul. Ability, persistence, and strategies are the 3 aspects to remember.

**Lack Of marketing strategies:** Lacking information in marketing systems. In India, each state is interested in culture, food, and customs, language, outfit, etc. So what is moving in Maharashtra like hotcakes may stay immaculate in Tamilnadu? An exhaustive learning of area insightful need and a down to earth advertise overview is of most extreme significance before venturing into the hazardous ocean of new companies.

**Government's Involvement:** India lacks a clear long-term start-up roadmap, as economic liberalization is quite new to India. Given the size of the nation and the priorities, the government seems to keep the road-map on the back burner.

**Peer pressure:** Peer pressure is far more visible in a connected/gossip-loving society like India's.

**Investment Prospects:** When guys of the caliber of Sequoia are investing in eye hospitals and retail chains, you have to realize how weak the venture system here is.

## **Opportunities for Startups**

In spite of challenges and problems that startups are facing, Indian markets provide a plethora of opportunities to find solutions tailored to solve them. Below is a list of few of the opportunities that are discussed for consideration by startups.

- **India's Large Population :** The population of India is a huge asset for the country. By 2020, it is expected that the working age population would surpass the non-working population. This unique demographic advantage will offer a great opportunity to any startup. Various infrastructure issues and the bottom- ofthe- pyramid market would provide huge opportunities for the startups.
- **Change of Mind:** Set of Working Class Traditional career paths will be giving way to Indian startup space. Challenging assignments, good compensation packages would attract talented people to startups. Also, it is seen that several high-profile executives are quitting their jobs to start or work for startups.
- **Huge Investments in Startups:** Huge investment in Indian startups from foreign and Indian investors is taking place. In 2015, more than 300 deals were done by 300+ angels and venture capital/ private equity players with around \$6.5-billion (Rs 42,300Cr) investments making India the most sought-after destination for investments.

## List of Government Schemes to Support Startups in India

India is gradually on its mission to build a robust startup ecosystem. In order to promote and support entrepreneurs, the government has created a ministry (department) dedicated to helping new businesses. Furthermore, the Central Government of India has also introduced many schemes to bolster entrepreneurship in India and to assist emerging startups financially.

- **Aatmanirbhar Bharat App Innovation Challenge**

The 4th of July 2020 has been quite a historic day for the Indian startups and the gear that the startups of India have got after that day because it is on the same day that the Prime Minister of India, Narendra Modi has announced the launch of the "Aatmanirbhar Bharat App Innovation Challenge". With this launch, PM Modi urged the startups of India to come together and develop 'Made in India' applications that will facilitate not only the people of India but the whole world. In his tweet, PM urged all the tech and startup community to come forward and develop world-class mobile applications under the challenge.

The innovation challenge was launched in 8 different categories. Below listed are the categories and the apps that won in them on the first installment of the challenge:

1. Office Productivity and Work from Home
2. Social Networking
3. News
4. Games
5. E-Learning
6. Health and Wellness
7. Entertainment
8. Business

- **SAMRIDH Scheme**

Ashwini Vaishnaw, who was then a newly appointed Minister of Electronics Information and Technology (MeitY) launched the SAMRIDH scheme, which stands for Startup Accelerators of MeitY for product

Innovation, Development, and growth, on August 25, 2021, after a little over a week of his announcement that the government will support the startups in the initial stages.

The SAMRIDH initiative is designed to provide funding support to startups along with helping them bring skill sets together which will help them grow successful. The newly launched SAMRIDH program aims to focus on the acceleration of around 300 start-ups by extending them with customer connect, investor connect, and other opportunities for international expansion in the upcoming three years that will follow.

- **Startup India Seed Fund**

On 16 January 2021, Prime Minister Narendra Modi announced the launch of the 'Startup India Seed Fund' — worth INR 1,000 crores — to help startups and support ideas from aspiring entrepreneurs. PM Modi said that the government is taking important measures to ensure that startups in India do not face any capital shortage.

The reserved fund for the Startup India Seed Fund initiative, as per the Union Budget of 2022 is Rs 283.5 crore, which is higher than the revised estimate of around Rs 100 crore for the year 2021-22.

- **Startup India Initiative**

The Prime Minister of India launched the Startup India Initiative in the year 2016 on 16th January. The idea is to increase wealth and employability by giving wings to entrepreneurial spirits. The government gives tax benefits to startups under this scheme and around 50,000 startups have been recognized via this scheme in a period of a little more than five years, as of June 3, 2021. The Department of Industrial Policy and Promotion is maintaining this initiative and is treating it as a long-term project. Moreover, the overall age limit for startups has been increased from two years to seven years. Plus, for biotechnology firms, the age limit is ten years from the date of incorporation. It is one of the best government-sponsored startup schemes for entrepreneurs as it provides several concessions.

- **Startup Leadership Program**

The Startup Leadership Program, as the name indicates, is build to empower outstanding founders and innovators. Launched in 2016 in India, SLP is designed as a "highly selective 6-month world-class training program and lifetime network". This startup initiative first began in Boston in 2006, and has spread its wings in over 14 countries and 28+ cities, and has helped 2000+ startups, influenced 3600+ entrepreneurs, and has raised around \$2.4 bn+ in funds to date.

- **ASPIRE**

The government has made continuous efforts to improve the social and economic aspects of life in rural areas of India and one of the most popular schemes that the Indian government has sanctioned in this regard is ASPIRE. A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE) is a Government of India initiative and promoted by the Ministry of Micro, Small and Medium Enterprises (MSME).

The mentioned scheme was launched in 2015 to offer proper knowledge to the entrepreneurs to start with their business and emerge as employers. Since 56% of the Indian population lives in rural areas, the government has promoted entrepreneurship and innovation in the rural sector with this scheme. The ASPIRE scheme aims at increasing employment, reducing poverty, and encouraging innovation in rural India. However, the main idea is to promote the agro-business industry. The Ministry of Medium and Small Enterprises has tried to boost economic development at the grassroots level. The total budget of the scheme initially was INR 62.5 crores for the period of 2014-2016.

- **Pradhan Mantri Mudra Yojana (PMMY)**

Micro Units Development Refinance Agency (MUDRA) banks have been created to enhance credit facilities and boost the growth of small businesses in rural areas. The government has introduced this scheme to support small businesses in India. In 2015, the government allocated INR 10,000 crores to promote startup culture in the country. The MUDRA banks provide startup loans of up to INR 10 lakhs to small enterprises, and businesses, which are non-corporate, and non-farm small/micro-enterprises. MUDRA comes under Pradhan Mantri Mudra Yojana (PMMY) which was launched on 8 April 2015. The loans have been categorized as Tarun, Kishore, and Shishu. The assets are created through the bank's finance and there is no collateral security.

- **Chunauti**

Chunauti, the pandemic-influenced scheme, is a government of India initiative named CHUNAUTI (Challenge Hunt Under NGIS for Advanced Uninhibited Technology Intervention), to invite Startups to develop solutions for problems amid pandemic. Launched in August 2020, Chunauti is a start-up challenge initiative under the Next Generation Incubation Scheme (NGIS).

Who can Apply?

The challenge invites the proposals/applications from Indian startups, who are working in domains related to software product development.

Participants in the challenge will be encouraged to develop products and technologies in five key domains:-

Edu-Tech, Agri-Tech & Fin-Tech Solutions for masses

Supply Chain, logistics and Transportation Management

Infrastructure & remote monitoring

Medical Healthcare, Diagnostic, Preventive & Psychological Care

Jobs & Skilling, Linguistic tools & technologies

Budget of the Programme

The government has chosen a budget of over INR 95 crores over a period of 3 years for this program. This programme aims to identify around 300 startups working in identified areas.

- **Financial Incentives/Funding Support:**

The startups selected through the challenge would be provided incubation support, mentorship, all relevant facilities, as well as funding support such as cloud credits from leading third-party service providers, seed funding of up to INR 25 lakhs, as well as INR 10,000 in monthly monetary support to each intern (startup in pre-incubation) for a period of six months to help them evolve their business plan and solution around the proposed idea.

- **ATAL Innovation Mission**

In the budget session of 2015, the Indian government announced the Atal Innovation Mission (AIM); with the name coming from Atal Bihari Vajpayee, the Former Prime Minister of India. Atal Innovation Mission was established to create a promotional platform involving academicians and draw upon national and international experiences to foster a culture of innovation, research, and development. The government allocated AIM around INR 150 crores in the year 2015.

- **eBiz Portal**

eBiz was the first electronic government-to-business(G2B) portal, which was founded in January 2013. The main purpose of the portal was to transform and develop a conducive business environment in the country. eBiz Portal was developed by Infosys in a public-private partnership model. It was designed as a communication center for investors and business communities in India. The portal had launched 29+ services in over 5 states of India, viz., Andhra Pradesh, Delhi, Haryana, Maharashtra, and Tamil Nadu. The government also announced that it will add more services to the scheme with time. However, after rounds of talks about the shutting down of the eBiz initiative since July 2018, it was finally shut down on account

of low service integration. The government is again planning to revive eBiz-like portals, according to the 2020 updates.

And there are many schemes that support start ups like Dairy Processing and Infrastructure Development Fund (DIDF), Multiplier Grants Scheme, Software Technology Park, The Venture Capital Assistance Scheme, etc. Following are examples for start ups

Area of Operation	: Startup Firm Name
Online food delivery	: Freshmenu, swiggy
Online fish, meat delivery	: Fresh to home
Big data analytics for trade	: Peel works
Online pharmacy	: Myra
Platform to get local businesses online	: Now floats
Logistics management software	: Fareye
Lifestyle tracking platform	: Healthi fyme
Payments solutions for credit/debit cards	: Pine labs
AI-driven solutions for retailers-	: Staqu
Packaged ready-to-cook idli /dosa batter	: Id foods
Peer-to-peer lending	: Fair cent

## Conclusion

The current economic scenario in India is on expansion mode. The Indian government is increasingly showing greater enthusiasm to increase the GDP rate of growth from grass root levels with introduction of liberal policies and initiatives for entrepreneurs like 'Make in India', 'Startup India', MUDRA etc. 'Make in India' is great opportunity for the Indian start-ups. With government going full hog on developing entrepreneurs, it could arrest brain drain and provide an environment to improve availability of local talent for hiring by startup firms. The startup arena has lot of challenges ranging from finance to human resources and from launch to sustaining the growth with tenacity. Being a country with large population, the plethora of opportunities available are many for startups offering products and services ranging from food, retail, and hygiene to solar and IT applications for day to day problems which could be delivered at affordable prices. It is not out of place to mention that some of these startups would become unicorns and may become world renowned businesses by expanding into other developing and underdeveloped countries.

