



## Startups in India: Sustainable Development



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### Abstract

This paper deals with Startups in India. It is a scheme launched by the Indian Government on 16th of January in 2016. This campaign is planned to bring new opportunities for the youths of the country. This initiative is to encourage the young entrepreneurs to greatly involve in the entrepreneurship for a better future. According to the program, around 1.25 lakh bank branches will encourage youth. Entrepreneurs by giving them a loan. This campaign will create new jobs for the people in India. This scheme will provide employment in long run. The success of this program may happen with overcoming some barriers like the rigid licensing system, lack of banks support, the absence of tax holiday etc.

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## 1. Introduction

Baum & Silverman (2004), Bocken *et al.*, (2014), Chang (2004), Startup Company or startup or start-up is an entrepreneurial venture or a new business in the form of a company, a temporary organization designed to search for a repeatable and business model. These companies, generally newly created, are innovative in a process of development, validation, and research for target growth. The term became world wide because of this history, startups are often assumed to be solely technology-based companies, but this is not necessarily true: the essence of startups is generally related to the concepts of ambition, innovation, scalability, and growth.

Hawkins (2013), Heads (2014), Startup companies can come in all forms. Some of the critical tasks are to build a co-founder team to secure key skills and resources to be able to conduct research and build a first Minimal Viable Product (MVP) in order to validate, assess and develop the ideas or business concepts in addition to opportunities to establish further and deeper understanding on the ideas or business concepts as well as their commercial potential. Business models for startups are generally found via a bottom-up or top-down approach. A company may cease to be a startup as it passes various targets, such as becoming publicly traded in an IPO or ceasing to exist as an independent entity via a merger or acquisition. Howson & Khanna (2014), King *et al.*, (2012), Companies may also fail and cease to operate altogether. The size and maturity of the startup ecosystem where the startup is born and grow have a clear impact on the volume and success of the startups.

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Investors are generally most attracted to those new companies distinguished by their strong co-founding team, risk/return profile, and scalability. That is, they have lower bootstrapping costs, higher risk, and higher potential return on investment. Successful startups are typically more scalable than an established business, in the sense that they have the potential to grow rapidly with limited investment of capital, labor or land. Timing has often been the most important factor for biggest startup successes, while at the same time it's identified to be one of the hardest things to master by many serial entrepreneurs and investors. [Manirajah \(2013\)](#), [Satar & John \(2016\)](#), [Srikanth \(2018\)](#), Startups encounter several unique options for funding. Venture capital firms and angel investors may help startup companies begin operations, exchanging seed money for an equity stake. In practice though, many startups are initially funded by the founders themselves. Factoring is another option, though not unique to startups. Other funding opportunities include various forms of crowdfunding, for example, equity crowdfunding.

## 2. Materials and Methods

### *Startups in India*

The Indian Government, which came to power with a promise to cut inequalities, in seeking to re-invent India's business-friendly image, which so far places it as one of the 40 'least' favorable countries in the world for starting enterprises. But even as the Startup India announcement has captured the imaginations of urban India – aspirations of rural entrepreneurship remain forgotten.

In a basic study conducted across four states, for the Niti Aayog, Pratham expectedly found that government jobs remain the holy-grail for low-income youth. In an unlikely twist, however, almost 80 percent of the respondents from rural and semi-urban areas aspired to become 'self-employed' entrepreneurs, with contrast to their urban counterparts, for whom entrepreneurship was the least aspiration

At a glance, these results seem counter-intuitive – why would low-income youth from rural and semi-urban areas, well-aware that small 'shocks' of misfortune could drive them from survival to destitution, not jump at stable jobs? The answer to why such a small percentage of rural youth aspire for formal-wage employment compared to 60 percent of urban youth lies in between the past experiences and present opportunities in rural India.

Nearly all the rural workforce for generations has been engaged in only two professions farming and casual labor in both of which individuals largely have the freedom to choose their own schedules and methods. With little or no education, these youngsters have had fewer restrictions on their actions or time, making formal sector employment unattractive.

But more importantly, the role models for these youth have always been entrepreneurs – be it the 'construction-contractor leading a large team of laborers and making a good living, or the small shop owner who is the centerpiece

## 3. Results and Discussions

### *Guidelines to Startups*

On January 16, 2016, Prime Minister Narendra Modi released a 19-point action plan for start-up enterprises in India. He also announced a self-certification scheme related to nine labor and environment laws. He also said that there would be no inspection of the enterprises during the first three years of the launch. Prime minister has announced an all-inclusive action plan to boost such ventures that would boost employment generation and wealth creation.

#### *3.1 Here are the PM 19 plans for start-ups:*

##### a) Self-certification

The start-ups will adopt self-certification to reduce the regulatory liabilities. The self-certification will apply to laws including payment of gratuity, labor contract, provident fund management, water, and air pollution acts.

##### b) Register through app

An online portal, in the shape of a mobile application, will be launched to help start-up founders to easily register. The app is scheduled to be launched on April 1.

c) Patent protection

A fast-track system for patent examination at lower costs is being conceptualized by the central government. The system will promote awareness and adoption of the Intellectual Property Rights (IPRs) by the start-up foundations.

d) Start-up India hub

An all-India hub will be created as a single contact point for start-up foundations in India, which will help the entrepreneurs to exchange knowledge and access financial aid.

e) Rs 10,000 crore fund

The government will develop a fund with an initial corpus of 2,500cr and a total corpus of Rs 10,000cr over four years, to support upcoming start-up enterprises. The Life Insurance Corporation of India will play a major role in developing this corpus. A committee of private professionals selected from the start-up industry will manage the fund.

f) National Credit Guarantee Trust Company

A National Credit Guarantee Trust Company (NCGTC) is being conceptualized with a budget of Rs 500 corer per year for the next four years to support the flow of funds to start-ups.

g) No Capital Gains Tax

At present, investments by venture capital funds are exempt from the Capital Gains Tax. The same policy is being implemented on primary-level investments in start-ups.

h) No Income Tax for three years

Start-ups would not pay Income Tax for three years. This policy would revolutionize the pace with which start-ups would grow in the future.

i) Tax exemption for investments of higher value

In case of an investment of higher value than the market price, it will be exempt from paying tax

j) Easy rules

Norms of public procurement and rules of trading have been simplified for the start-ups.

k) Legal support

A panel of facilitators will provide legal support and assistance in submitting patent applications and other official documents

l) Building entrepreneurs

Innovation-related study plans for students in over 5 lack schools. Besides, there will also be an annual incubator grand challenge to develop world-class incubators.

m) Atal Innovation Mission

The Atal Innovation Mission will be launched to boost innovation and encourage talented youths.

n) Research parks

The government plans to set up seven new research parks, including six in the Indian Institute of Technology campuses and one in the Indian Institute of Science campus, with an investment of Rs 100 corer each.

o) Entrepreneurship in biotechnology

The government will further establish five new biotech clusters, 50 new bio incubators, 150 technology transfer offices, and 20 bio-connect offices in the country.

p) Dedicated programs in schools

The government will introduce innovation-related programs for students in over 5 lack schools.

q) Setting up incubators

A private-public partnership model is being considered for 35 new incubators and 31 innovation centers at national institutes.

r) Rebate

A rebate amount of 80 percent of the total value will be provided to the entrepreneurs on filing patent applications.

s) Faster exit

If a start-up fails, the government will also assist the entrepreneurs to find suitable solutions for their problems. If they fail again, the government will provide an easy way out.

### 3.2 *Startups – Impact on Economy*

In a knowledge-based society, innovation is the rapid force of the economy on all levels and in all types of organizations. Due to the high risks present when introducing new products and services, innovations are usually commercialized via isolated formal formations such as startup entrepreneurs. Eric Ries, the creator of the Startup movement, defines a startup as the company is a newly formed company, the purpose of which is to develop new, usually innovative products or services in uncertain circumstances. If it satisfies a new need, present in a broader area or globally, it also has great growth potential. Startup entrepreneurship is crucial because of innovations, new jobs and bringing competitive dynamics into the business environment. A feature of these companies is that they first test different possible business models in order to find the right one. But for this, they need a suitably developed support startup ecosystem.

The Global Entrepreneurship Monitor research data show that worldwide, an entrepreneur with high potential creates on average as much as 3 times more jobs than an entrepreneur with average potential and as much as 15 times more jobs than an entrepreneur with low potential. Thus there is only 4 % of entrepreneurs who can be obtained in the group of dynamic companies that have the potential to grow on global markets (on average they reach at least 20 % annual income growth) and they truly contribute to the economic development of the society, as they create as much as 38 % of all jobs. In the society, there is only 6 % of entrepreneurs with average potential, amongst which we also count those who gain between 5 % and 20 % average annual income growth, and they create 28 % of all jobs. But the great majority of entrepreneurs have low potential (90 % of all) – on average they achieve only up to 5 % average annual income growth and together create 34 % of jobs.

Therefore growth is mostly generated by highly ambitious entrepreneurs who find and realize promising business opportunities. Their companies grow quickly and so increase the employment rate. A research by the Global Entrepreneurship Monitor South Africa (2012) states that 1/3 of dynamics of countries economic growth can be attributed to the dynamics of startup entrepreneurship. They also contribute to the promotion of the research and innovation system and introduce values of proactively into society.

Entrepreneurial innovations with high potential are very scarce and represent the most precious human resource of every nation, which is why they should be fully supported. The economic policy in general and the policy for promoting entrepreneurship have to understand that not all business activities are the same, much less than the motives for being an entrepreneur are the same for everyone. Facilitating settings for ambitious innovative entrepreneurship is fundamentally different to facilitating settings for self-employed necessity entrepreneurship.

Startup companies are thus those that have ambition and potential to become gazelles that can, with quick growth, create a large number of new jobs. This is often, but not always, the case for companies from technological industries.

The majority of developed countries in a knowledge-based society encourage startup entrepreneurship from the aspect of investment into the future as well as from the aspect of actively designing long-term economic policy. Why? Because

### 3.3 *Key reasons for encouraging startup entrepreneurship:*

Innovations – these are the main driving force behind economic development and the increase of productiveness in a knowledge-based society. Startup companies are the most suitable form of implementing inventions and consequently the best mechanism for commercializing technological and other novelties. Startup companies accelerate to a quick development of new technologies and the location where they operate. Large companies often buy startup companies because of technology that they then integrate into their business and thus keep their competitive advantage. At the same time, they provide knowledge as well as a spin-off and spin-out companies to the startup environment, which wouldn't be possible without a well- functioning startup ecosystem.

New jobs and economic growth – In the long view, startup companies create a large portion of new jobs and contribute to the country's economic growth. Considering that startup companies are based on innovations, the potential of startup companies represents the healthy core of the economy. When the country wishes to encourage new employment in the long term, it is necessary for it to invest into the segment of companies that create the most jobs in the long run (in 10 years and more). Startup companies are the ideal form an opportunity for employing and activating the upcoming generation.

Bringing new competitive dynamics in the economic system – Startup companies are the most dynamic economic organizations on the market since they provide additional dynamics and competitiveness to the economic system. This means that the economy stays healthy, vital and diligent, while individual companies find it harder to fall asleep on their laurels.

Promoting the research innovation system – High technology, as well as knowledge-based service startup companies, are very closely connected to knowledge institutions. An appropriate entrepreneurship ecosystem thus promotes the research & development as well as research & innovation approach of knowledge institutions, companies, and connecting institutions as well as contributes to the applicative orientation of research work at universities and research institutions. Meanwhile, it also works as a role model and encourages students and researchers to implement their ideas via a startup company.

Bringing the values of proclivity into the society – Startup entrepreneurship changes the values of society and brings a new mindset, in line with the society based on knowledge and creativeness. The population is starting to increasingly realize that they have a responsibility for their work and career development.

A non-profit organization supporting innovative youth entrepreneurship in society. The Foundation develops programs that revolutionize the South African startup ecosystem and help young people become high-impact entrepreneurs through the provision of the best resources.

Dubbed as one of South Africa's Brightest Young Minds in 2013 and acknowledged by his peers as one of the Top 200 young South Africans to follow on Twitter and LinkedIn, Sandile has won the respect of business by his determined approach to helping business navigate a diverse and complicated world of People, Education, Technology and Entrepreneurship (what he calls PETE). He is interested in how people use technology, believing that technology is only useful if people use and have access to it. His mission has been to explore how people, education, and technology can be merged together to better the lives of ordinary citizens in Africa.

### *Suggestions*

In the words, Prof Schumacher small is the ever best to the economy. In the same forms, the startups will help the sustainable development of the economy. This scenario may seem many economies in the World. Germany is the best example to Contribute sustainable development through the implementation of small and medium level industries.

The business environment in which technology-based start-ups operate should be reviewed and improved upon in terms of the regulatory and legal framework in order to encourage the growth and competitiveness of such start-ups. Adequate awareness creating mechanism needs to be strengthened. Long-term loan facility should be provided to start-ups at a lower interest rate that is supportive to loan repayment and overall growth and competitiveness of the start-ups. The world first places exporter China also accelerated its economy with only small & medium scale industries in its early/initial stage. Japan Malaysia Singapore these are small counties give most of the percentage employment through small-scale industries. Providing employment is possible to start up's. In India, there are some negative shades that may lead to unsuccessful in the implementation of startups they are

- 1) Rigid licensing system
- 2) Lack of Bank loan guidelines
- 3) Tax applicable

India has 130<sup>th</sup> rank among 189 countries in liberalizing of the licensing system. It should be liberalized to the success of the startup scheme in India bank also should be leaving their rigid system in providing of the loan and related guidelines. Tax exemptions should be provided in the form of TAX HOLIDAY for the first three years to startups.

## **4. Conclusion**

This campaign is planned to bring new opportunities for the youths of the country. This initiative is to encourage the young entrepreneurs to greatly involve in the entrepreneurship for a better future. According to the program, around 1.25 lakh bank branches will encourage youth. Entrepreneurs by giving them a loan. This campaign will create new jobs for the people in India. This scheme will provide employment in long run. The success of this

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The author(s) have a responsibility for the conception and design of the study. The author(s) have approved the final article.

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