

START UP IN INDIA: GROWTH MODELS

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Abstract: *Entrepreneurs have a vital role in fostering job creation, stimulating economic growth, and addressing societal challenges. Moreover, it elucidates a society's audacity, willingness to take risks, and resourcefulness. According to the Global Entrepreneurship Development Institute (GEDI), there is a substantial positive correlation between entrepreneurship, economic growth, and innovation. The Global Entrepreneurship Index for the year 2018 has recently been released by the Global Entrepreneurship and Development Institute (GEDI), encompassing a ranking of 137 countries. The Indian government has implemented a significant initiative, Startup, which aims to foster innovation and cultivate entrepreneurship. The government aims to assist nascent enterprises through this initiative to foster employment, promote economic expansion, and cultivate entrepreneurship across India. The startup ecosystem in India has garnered global recognition. In recent years, there has been a notable proliferation of innovative startups in the business sector, addressing prevalent issues on a large scale. This trend can be attributed to the increasing number of young entrepreneurs who embark on this path instead of seeking employment in multinational corporations or governmental organisations. The key subjects addressed in this article are the role, growth patterns, and challenges encountered by startups in India.*

Keywords: Start Up, Entrepreneurship

Introduction

Every nation's economic stability is contingent upon its population's contributions. The economy's performance will likely improve with an increase in the number of individuals participating in the workforce or being gainfully employed. The Indian government has recognised that individuals in India can engage in diligent efforts, provided they are afforded favourable conditions for entrepreneurial ventures. Numerous individuals aspire to initiate their enterprise, although they encounter obstacles such as financial constraints or other challenges that impede their progress. To facilitate the advancement of the "Startup India" initiative, the Indian government, led by Narendra Modi, has opted to distribute certain incentives. The Startup India project is an innovative programme to support aspiring entrepreneurs in establishing their enterprises. These individuals possess the necessary capabilities and innovative ideas, prompting the government to provide support to facilitate

the implementation of their ideas. The eventual success of this initiative holds the potential to enhance India's economic standing and bolster its national strength. Startup India is an entrepreneurial project implemented by the Government of India. The event was officially commenced on January 16, 2016, under the auspices of Arun Jaitley, the Minister of Finance.

This programme is a significant initiative aimed at providing financial support to startups, thereby strategically facilitating the implementation of their innovative ideas. India offers many significant chances for aspiring entrepreneurs in the field of startups. The primary sectors encompass the textile, media, health, event planning, tourism, and automobile industries. There exist numerous prospects for entrepreneurs to initiate their startups. However, in addition to the various prospects, startup entrepreneurs may encounter problems, such as infrastructure deficits in India, inherent risk factors, and the acquisition of suitable talent. Notwithstanding these issues, both the government and startup entrepreneurs must collaborate to confront these obstacles and enhance the efficacy of this programme.

Notwithstanding their diminutive scale, startups have the potential to exert a substantial influence on the growth of the economy. Startups are significant in driving innovation, as they serve as primary catalysts for creating new ideas and technologies. Additionally, they contribute to job creation, leading to increased employment rates and fostering economic growth. Moreover, startups exert a discernible impact on the localities where they establish their operations.

Meaning of startup

A startup is a young enterprise in its early phases of establishment and expansion, typically supported by an individual or a small consortium of individuals. A startup refers to a nascent organisation that endeavours to identify an unexplored business model intending to either disrupt established markets or establish novel ones. A startup is a young and vibrant enterprise founded on technological advancements and innovative ideas. The founders of such ventures strive to exploit opportunities by creating and offering a product or service that they perceive to have a market demand.

Review of literature

In a study conducted by *P. Premkumar (2019)*, India is rapidly establishing itself as a prominent hub for startup enterprises. The technology sector in India has experienced significant expansion in establishing inventive startups, positioning the country as the third fastest-growing hub for technology startups. This analysis examines the present situation and

emerging patterns within the Indian startup ecosystem, evaluating India's standing as a global hub for startups increasingly appealing to investors, startups, and corporations. The student also analyses the present state of affairs, including causes contributing to its expansion, prominent patterns, funding, and significant policy measures. Additionally, this study offers an overview of significant industry sectors, incubators and accelerators, and the current state of talent in the field.

According to *Deshmukh (2019)*, Start-up companies are newborn enterprises that necessitate the acquisition of initial capital. These companies possess novel concepts for expansion. During the early phases, start-up enterprises endeavour to secure external financing. Numerous avenues exist for acquiring funding for nascent enterprises, such as Bootstrapping, venture capital, bank loans, and angel investors. The study's objective was to examine the extent to which India has been capable of providing financial support to start-up enterprises with the potential for successful expansion. This study analyses the funding opportunities accessible to start-up companies in India, focusing on understanding the distribution of start-up financing across different states and the volume of deals executed. This paper examines the advancements achieved by India thus far, as well as the many incentives and initiatives used by the Government of India to foster financial support for start-ups.

According to *Inakshi (2017)*, On January 16th, 2016, a significant programme was launched in India, garnering global attention. Furthermore, India has experienced a surge in its entrepreneurial ethos over the past decade. The initiation of the Startup India programme garnered much acclaim when it was introduced in January of the previous year, accompanied by the Prime Minister's announcement of a comprehensive policy fostering entrepreneurial activities within the nation. The Indian government has led in organising an effort known as Startup India. This project aims to establish a robust ecosystem that fosters innovation and supports the growth of startup companies in the country. The ultimate goal is to stimulate sustainable economic development and generate significant employment possibilities. This research aims to elucidate the cultural landscape of entrepreneurship by examining the prevailing strategies, possibilities, and challenges associated with implementing this novel policy.

According to a study by *Dr Shailja Badra in 2016*, India constitutes approximately four per cent of the world Gross Domestic Product (GDP). Startup India is a prominent project undertaken by the Government, characterised by significant enthusiasm and excitement. The

initiatives implemented by the Central Government are designed to consider the collective goals and entrepreneurial spirit of the Indian population, which is characterised by a willingness to take risks. The unwavering and determined contributions of Indian individuals have significantly influenced the achievements of Silicon Valley businesses. India aims to substantially contribute 15-20 per cent to the global Gross Domestic Product (GDP). The occurrence occurs when the Startup movement reaches a threshold of significant magnitude. Startup India goes beyond the contention that it represents a more effective consolidation of preexisting institutional assistance. The intricacies associated with effectively managing the diverse range of views, procedures, and individuals within the context of India are widely acknowledged. The objective of Startup Indians is to thrive through many shifts in mindset and cognitive processes. The provision is bolstering the potential of the indomitable Indian.

Objectives of Study

1. The evaluate of the Role of Startups in India.
2. To examine the growth models employed by startups in India.
3. To ascertain the challenges faced by startups in India.

Methodology

An analytical approach characterises the current study and primarily relies on secondary data sources. The data has been obtained from diverse sources, including books, scholarly publications, research articles, governmental reports, and websites.

Statement of the Problem

The emergence of the startup wave in India is a relatively new phenomenon. India is currently undergoing a significant shift characterised by a fundamental revolution, wherein the primary catalysts for employment generation and resolution of daily challenges are innovation and entrepreneurship. A decade ago, the number of startups like Make My Trip.com and Naukari.com was limited. However, with the emergence of successful startups such as Flipkart, Quicker, Practo, Zomato, and Inmboi, it is evident that the startup ecosystem in India has made significant progress.

Role of Start Up in India

India requires the creation of 10 million fresh employment opportunities annually, as substantiated by international data, wherein startups, rather than large enterprises, are identified as the primary contributors to net new job generation on a global scale. Startups play a pivotal role in driving innovation and serve as a highly effective means of augmenting economic employment opportunities. The inception of the Startup India campaign occurred

on August 15, 2015. Startups must engage with cutting-edge technology as it frequently embodies the pinnacle of value generation. Based on the data provided by NASSCOM in 2015, India exhibits an annual emergence of over 3100 enterprises, positioning it as the fourth most prolific country in terms of new company launches, trailing behind the United States, United Kingdom, and Israel.

According to projections, Indian digital enterprises are expected to provide over 250,000 job opportunities during the next five years, assuming the current growth rate is sustained. India is anticipated to experience advantages from the demographic dividend, with projections indicating that by 2020, the country will possess a workforce of 112 million individuals aged 20-24, surpassing China's 94 million employees in the same age bracket. The demographic dividend is expected to contribute to the growth of the startup culture in the country. The Startup India initiative, spearheaded by the Prime Minister, is a commendable endeavour to foster entrepreneurship within the Indian context. This endeavour will play a pivotal role in facilitating the future sustenance of enterprises and introducing a novel dimension to entrepreneurial activities within the nation.

- **Employment Creation:**

One of the primary advantages of startups is the generation of employment opportunities. Based on worldwide data, it has been shown that startups have a greater propensity to generate global employment opportunities than large firms or businesses within the same industry. Therefore, it mitigates the problem of unemployment in developing nations.

- **Wealth Creation**

Entrepreneurs, via the strategic allocation and financial support of their resources, effectively draw the attention of potential investors, hence fostering the growth and advancement of firms. This symbiotic relationship between entrepreneurs and investors ultimately yields advantageous outcomes for the nation's populace. Wealth generation within a nation occurs through the distribution of monetary resources among the many members of society.

- **Improvement Of Living Standards**

Startups can generate novel technological advancements and innovations, enhancing the overall standard of living for everyone. Many entrepreneurs are currently engaged in business activities in rural areas to enhance the local economy.

- **A higher GDP**

Enhancing a nation's Gross Domestic Product (GDP) can significantly contribute to its economic progress. Facilitating and fostering more entrepreneurs can contribute to the augmentation of domestic revenue creation and the influx of consumer capital.

- **Research and Development**

Startups operating in underdeveloped nations often allocate substantial financial resources towards research and development (R&D) due to their frequent engagement with advanced technology and knowledge-intensive services. The startup's research and development (R&D) team plays a crucial role in seeking innovation and facilitating the growth of the business. It facilitates the development of research initiatives with a practical focus at academic institutions such as universities. Hence, startups can motivate academics or students to use their ideas in practical settings by engaging in employment with such enterprises.

- **Improve the talent pool**

Under the guidance of robust leadership, universities and industry have the potential to collaborate to cultivate the necessary talent pools required to establish startups. Similarly, the adoption of a pro-innovation position by local government officials has the potential to alleviate certain regulatory obstacles that impede the growth of startups.

Growth Models of Start-ups in India

As of January 1, 2022, India's number of recognised firms exceeds 61,000, positioning it as the third-largest startup ecosystem globally, following the United States and China. The Indian government has implemented a plan known as Startup India, with the sole objective of cultivating a startup culture and establishing a conducive ecosystem that nurtures innovation and entrepreneurship.

Consequently, the startup ecosystem in India has emerged as a prominent catalyst for national development and aims to establish itself as a global technological force. A significant number of Indian enterprises are experiencing growth and exhibiting a preference for recruiting and providing opportunities to the younger demographic, enabling them to get valuable professional experience in their chosen fields. Some of the most prominent startups in India are Flipkart, Ola, and Zomato, among others.

Startups operating in India

• Cred

Founded in 2018 by Kunal Shah, Cred is a prominent startup based in Bangalore, India. This network provides users with "cred coins" as a reward for fulfilling their credit card payment obligations. These coins can be exchanged for a range of discounts and promotional incentives.

Cred, a relatively new startup in India, has achieved a notable valuation of approximately \$2.2 billion, positioning it among the select few startups in the country to attain such a significant financial assessment. The company boasts a customer base of 6 million individuals, with a workforce ranging from approximately 250 to 500 personnel. The startup envisions significant prospects, including establishing an eCommerce store as part of its strategic objectives.

• Pharm Easy

PharmEasy, a Mumbai-based startup, was established in 2015 by Dharmil Sheth, Dhaval Shah, and Mikhil Innani. The company's primary focus lies in the healthcare, diagnostics, and pharmaceutical sectors.

The online platform is a comprehensive medical store offering many products often seen in physical medical or pharmacy establishments. These offerings encompass over-the-counter (OTC) medications, medical devices, and diagnostic tests. PharmEasy facilitates the connection between patients and nearby testing centres, assists in supplying medications, and attends to many other medical requirements.

Pharm Easy has experienced significant expansion in the wake of the COVID-19 pandemic, garnering widespread recognition and attaining the status of an indispensable service in contemporary times. Following its merger with Medlife, the business has secured a funding amount exceeding \$350 million. The combination has given Pharm Easy a competitive advantage over prominent e-pharmacy firms such as Flipkart and Amazon Pharmacy. The firm intends to facilitate its growth by establishing partnerships with additional pharmacies and extending its coverage to encompass a broader range of geographical regions.

• Digit Insurance

Digit Insurance, established in 2016, is a company that focuses on general insurance. Its founders include Kamesh Goyal, Philip Varghese, Sriram Shankar, and Vijay Kumar. The primary sectors of interest for the startup are finance and insurance. Headquartered in Bangalore, the primary objective of this organisation is to streamline insurance offerings for

a wide range of individuals while simultaneously revolutionising product concepts and reconfiguring operational procedures. One of their primary objectives is to develop uncomplicated and easily understandable insurance solutions that hold significance for individuals.

Digit Insurance has been recognised with several esteemed accolades, such as the title of Hottest Startup in India in 2019 and the distinction of being Asia's Best General Insurance Company of the Year in 2019. Despite the prevailing challenges faced by the insurance business, the company above showed remarkable resilience and achieved a notable % growth rate of 30% in 2020. The above entity's popularity surged significantly as it successfully extended its coverage to include health insurance against a wide range of ailments, such as COVID-19 and malaria.

- **Meesho**

In contemporary times, the prospect of commencing a business enterprise from the confines of one's residence has become a viable option. Meesho significantly facilitates and enhances the procedure above because of its status as a prominent and reliable reseller platform. Meesho, a Bangalore-based business, was established in 2015 by Sanjeev Barnwal and Vidit Aatrey. It operates within the domains of eCommerce and social media.

With an estimated workforce ranging from 1000 to 5000 personnel, Meesho is experiencing significant growth as an e-commerce platform, with a valuation surpassing \$2.1 billion. The primary function of Meesho is to facilitate the connection between vendors and customers inside an online marketplace. Simultaneously, the firm streamlines the operational procedures for sellers by assisting in various domains such as shipping, order management, and payment processing. It has established connections with over 13 million entrepreneurs and facilitates transactions involving various products, including groceries, clothes, and other commodities.

- **Nykaa**

Nykaa, a Mumbai-based business, was established in 2012 by Falguni Nayar. The online beauty and wellness store offers customers high-quality products at affordable prices.

The company's valuation presently exceeds \$2.1 billion, with notable Bollywood figures such as Alia Bhatt and Katrina Kaif among its investors. Based on the current trajectory of the organisation, it is anticipated to generate a sum exceeding \$3.5 billion in the forthcoming years. The company operates a network of over 55 retail outlets and processes a monthly volume of over 1.5 million orders.

Nykaa boasts a substantial user base of more than 5 million individuals who actively engage with the platform monthly. Furthermore, the company offers an extensive range of products from 500 distinct brands, available for purchase through its various online and offline retail outlets. Additionally, the company has extended its retail presence by establishing Nykaa Fashion, a platform offering its clientele a wide range of clothing and accessories.

- **Swiggy**

Swiggy, a food delivery platform, was established in 2014 by Nandan Reddy, Rahul Jaimini, and Sriharsha Majety. Swiggy, initially established in Bangalore, has expanded its operations to encompass more than 27 urban centres, encompassing a comprehensive network of over 40,000 restaurants. The company's valuation exceeds \$5 billion and has recently secured over \$800 million in finance. Swiggy prioritises the restaurant and delivery sectors, striving to create exceptional customer service experiences.

Undoubtedly, this particular firm can be regarded as one of the premier ventures in India. While its predecessors, such as Foodpanda, encountered difficulties, this startup flourished and presented a formidable challenge to Zomato, a well-established entity during that period.

Problems Faced by Start-Ups in India

1. Financial capabilities

Access to finance is crucial for entrepreneurs; however, acquiring sufficient funds is often challenging. Many funding options are available, encompassing familial and social networks, loans, grants, angel investors, venture capitalists, and crowd fundraising. As the company undergoes growth, the demand for resources becomes increasingly imperative. The expansion of a business necessitates the prompt injection of capital. Implementing effective financial management practices is crucial for the success of new enterprises. Based on the findings of a recent survey, a significant proportion, specifically 85%, of newly established companies suffer from inadequate funding, suggesting a potential risk of failure.

2. Generation of revenue

The expansion of firms often leads to failure due to insufficient money generation. Due to the escalation of operational expenses and the decrease in revenue, startups are compelled to prioritise the finance aspect, diverting their attention from the fundamental principles of business. Hence, generating revenue is of utmost importance, thereby requiring proficient management of burn rate, which pertains to the rate at which organisations allocate their financial resources during the first stages. Developing and sustaining growth poses a

greater challenge than acquiring sufficient financial resources.

3. Supporting infrastructure

Various support systems, including incubators, science and technology parks, and business development centres, play a crucial role in the trajectory of fledgling enterprises. The absence of these support mechanisms leads to an escalation in the likelihood of failure.

4. Increasing market awareness

The failure of startups can be attributed to their need for more focus on market dynamics. The environment for a startup is typically more challenging than an established business due to its distinctive characteristics. The complexity of the situation is heightened when considering a novel product. Therefore, the organisation must complete the construction process starting from the foundation.

5. Regulations

Prior to commencing operations, it is imperative to secure multiple governmental authorizations. Despite the presence of observable enhancements, the process of firm registration continues to pose challenges.

Initiatives taken by the government

The role of government plays a crucial part in establishing new firms. The government's plans, programmes, objectives, and strategies impact entrepreneurs. The subsequent list comprises 19 strategic initiatives designed to support the establishment and growth of start-up enterprises.

Self-certification: The primary goal of the government is to alleviate the burden on startups, enabling them to focus entirely on their company operations while maintaining low compliance costs. The legislation will encompass regulations about labour and environmental matters.

Start-up India hub: A centralised hub would be established in India to facilitate knowledge sharing and provide startups with access to financial resources.

Register through app: A mobile application in the form of an Internet portal will be developed to facilitate the interaction between entrepreneurs, government officials, and other regulatory authorities.

Patent protection: The central government is now developing a cost-effective monitoring system for patent inspection. Implementing this measure is expected to improve enterprises' understanding and acquisition of Intellectual Property Rights.

National Credit Guarantee Trust Company: A National Credit Guarantee Trust Company would be established with an annual budget of Rs 500 crore for the subsequent four years, aiming to facilitate the flow of funds to enterprises without sufficient capital.

Gains Tax: Venture capital fund investments are granted an exemption from the Capital Gains Tax. An identical policy will be implemented for start-up enterprises.

No Income Tax for three years: During the initial three years of operation, start-up enterprises would be exempt from paying Income Tax.

Tax exemption for investments of higher value: If the ventures exceed the market price, they will be granted a tax exemption.

Building entrepreneurs: Over 500,000 educational institutions will adopt innovative study strategies for students. In addition, there will be an annual event to foster the growth and development of accomplished entrepreneurs.

Atal Innovation Mission: The objective of this Mission is to stimulate the rejuvenation of ideas and inspire youngsters with creative inclinations.

Setting up incubators: The potential implementation of a private-public cooperation model is under deliberation for the establishment of 35 new startups and 31 innovation centres at national institutes.

Research parks: The government intends to establish a total of seven research parks, characterised by their innovative nature. These parks are slated to be situated in six campuses of the Indian Institute of Technology, as well as one campus of the Indian Institute of Science.

Legal reinforce: A panel of moderators will provide legal assistance and support in the process of complying with patent applications and other relevant documents.

Rebate: Startups will be granted an exemption value of 80 percent of the total value upon submission of their patent applications.

Easy rules: Entrepreneurs have found it more convenient to adhere to communal acquisition standards and switching mandates.

Faster exit: In the event of an entrepreneur experiencing failure, governmental assistance may be provided to facilitate the attainment of a specific resolution for their endeavours.

Conclusion

The efficacy of the Startup India campaign is contingent upon the implementation of many measures, such as expediting and simplifying the registration process for companies, enabling self-certification for numerous legal obligations, exempting startups from

inspections for three years, providing financial support for patent acquisition, and ensuring expeditious patent protection. Including procedures facilitating defunct corporations' expeditious closure within a 90-day timeframe holds significant importance. Under the newly enacted bankruptcy bill, Indian legislators can do this action. The primary focus of this study is to examine the significance of the ease of initiation and termination in the context of the high startup failure rate. The findings of this research report indicate that the respondents expressed their support for allocating funds towards incubation centres. The government's strategy entails implementing comparable strategies across institutions, innovation movements, research parks, and industry parks.

An era of growth characterises the current state of the Indian economy. The Indian government is increasingly committed to enhancing the GDP growth rate at the grassroots level by introducing liberal policies and programmes such as "Make in India," "Startup India," and MUDRA, among others. Indian startups possess significant potential due to the "Make in India" initiative. Implementing robust government initiatives to promote entrepreneurship could mitigate the brain drain phenomenon and cultivate an environment conducive to increased employment opportunities for local individuals inside emerging enterprises.

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