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**START UP COMPANIES IN INDIA – A WAY AHEAD TO ENTREPRENEURSHIP**

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In a layman's language, the word 'start up' means that when he starts any business. And the same is exactly true. But, this word 'Start-up' has become the word of every mouth since the 16<sup>th</sup> January, 2016. This is because, our very own PM Narendra Modi has unveiled a policy of startups and gave this word the name "START UP INDIA" and has promised to give a number of benefits for the industries/professionals/people/youngsters who come under the scheme of START UP INDIA and not START Ups. Very confusing, right? The general public takes these two words "START UP INDIA" and "START Ups" as same. The answer could probably be YES, but in real terms, a negation! If the statistics are to be believed, India has become the third largest base for the technological startups in the world.

### **Let's differentiate between Start ups and Start up India:**

Startup means when an amateur company that goes through the primary stages of operation. Like a person opens up a garment shop, general store, music company, television show, manufacture products, provide usual services etc which are uncommon and being already done by the people in India.

Startup India initiative prima facie talks only about those businesses who wish to start afresh. One of key features include nurturing innovation and commercializing newer avenues for the market, process, product and technology. Under this programme, a startup has been defined to mean "any company which is incorporated in India whose annual turnover does not exceed 25 crores in any preceding financial year and



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which must be working towards development and innovation of new products or services which are driven by technology or any intellectual property.” This shall in a way provide larger opportunities and tax breaks for the young emerging entrepreneurs.

Simply put, to begin with, let's exemplify startups like Amazon, Flipkart, etc. who are engaged in creating and developing digital marketplaces. This shall mean that any startup who is amateur but engaged in the existing markets will not be deemed to be eligible under the Startup India programme although they may provide better and significant products than the current business players.

Another eligibility criteria for a startup suggests that it is essential for a startup to obtain a recommendation certificate from a recognized institute which is either by the GOI or an incubator cell or it could be funded by recognized funds. Interestingly, if these set of rules are to be believed, as many as 60% of the startups in India would be considered as ineligible under the Startup India plan.

### **Opportunities for startups:**

Startups can generally be classified into two basic types. The first kind of startups comprise of those who discover innovative and newer versions of the existing products or a completely new product. It implies to adding old wine in new bottle, on the basis of the current customer demands. They are out with the old and in with the new.

The second of their kind start their operations from scratch. They apply forward and backward diversification in the supply chain in order to understand the nuances of the business. These kinds of startups are often thought to be unique and out of the box. They usually turn over new leaves and go with the winds of change.

Some prime opportunities are as below:

- *Demographic dividend* – In consistency with the latest UN report, notwithstanding lesser population in comparison to countries like China, India has nearly 356 million of its population in the category of 10-24-year-old youths. To see an economy achieving greater heights, the right balance between the education and welfare of the people acts as a harbinger. One in all, the key hidden agenda behind innovation and creation of the long run leaders of a country comprises of the youth. It also controls and accelerates the demand and provide patterns in an exceeding supply. The youth of the country comprise of majority workforce for the startup, that it so desperately needs which nevertheless acts



as an excellent talent base for beginners within the industry.

India includes a unique set of problems that requires innovations which shall address the emerging challenges, originating out of the country. Problems regarding the health, infrastructure, sanitation, education, etc. are unique country in accordance with a specific country and solutions from western world cannot solve or generalize it. Every problem can help a business in identifying its core competency and at the same time, it provides opportunities towards business development. What helps is that almost all problems around emerging economies are similar in nature and solutions applicable here also could add many countries in Africa and elsewhere. This permits Indian startups to accumulate a good bigger scale and at the same time make a meaningful impact around the world.

- *Large population* – For startups within the country, it is not essential to travel overseas. India, with over a billion people, presents an awfully large home marketplace for any goods or services. A rise within the income and augmenting aspirations of a mushrooming socio-economic class points out clearly that there is an outsized appetite for brands to prosper in Indian markets. The large population has also led to a consumer expenditure growth, which has successively propped up supply and production. Startups that look to service and cater to the massive population in solving a pain point or providing a utility in one of the world's most vital consumer markets, stands to try to do well.
- *High Mobile penetration* – According to the figures in the TRAI's reports, India's tele-density reached 76.55 percent with a subscriber base of 95.76 crore. It was just shy of 100 crore mark with as much as 95.76 crores of digital subscriber base. High mobile penetration in urban and rural India has reshaped the economy of the country and the way in which goods and services are offered. It causes greater efficiencies and increased productivity. It has meant businesses profit through faster and higher cognitive process, better logistics and even something like access to bank accounts. The flow of credit has now been directed to the unbanked arenas. The increase in the usage of mobile phones is transforming the way businesses and consumers communicate and work with each other. The very nature of startups has taken a different shape with penetration of the data enabling gadgets. For instance, startups that develop mobile apps now have an ever-increasing market to cater to.
- *Benefits under Income Tax Act and other laws* – Under section 80IAC of the Income Tax Act, the profits of a startup company get a tax deduction equaling to 100% of the profit earned in the three years, out of first five years. (It is to be noted here that the deduction is for eligible business or



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professional income and is applicable to startups established before 01.04.2019).

The startup companies are required to pay a Minimum Alternate Tax [MAT] at 18.5% in addition to the applicable rates of surcharge and cess. It is to be noted that the MAT exemptions for the initial 5 years is available in cases where the startup has failed to create any profit.

Similarly, under the Service Tax Act, the CG exempts the taxable services of aggregate value not exceeding Rs. 10 lakhs in any financial year from the gambit of service tax leviable under section 66B of the Finance Act, 2013.

- *Learning & Innovation* – It has been seen that those people who start their own startups have an eccentric composition and balance so far as their professional and mental fronts are concerned, in comparison to those who are into the conventional business mechanisms. Entrepreneurs are defined by seeing an issue and thinking of an innovative and original way of addressing it. Thanks to this innovative nature, entrepreneurs are a number of the simplest people to be learnt from. They approach problems differently, are constantly finding solutions, and are driven to create the foremost out of their time and work.



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### Challenges for Startups:

Irrespective of the nature of startup, Indian startup companies deal their own sets of challenges and some excellent opportunities. To name a few,

- *Culture* – Entrepreneurship and startup companies are only a recent phenomenon in India. It is only within the last decade and half that folks within the country have moved from being job seekers to job creators. Doing a startup is difficult and each country sees more failures than success. As an entrepreneur it is often expected to be prepared to face unparalleled failures and hardship.

However, culturally we do not seem to be groomed to fail and thus, failure is frowned upon. Entrepreneurship thrives on celebrations and a society that fails to understand business failures stifles innovation and creativity even before it can start. A startup company failing must be OK as failures often teach an entrepreneur, what he must try to do and what to not do.

- *Mentoring* – Doing a startup is perilous and sometimes a lonely journey. Having an excellent idea maybe a different story from making the very same idea, a business success. However, there is no formal mechanism to mentor startups within the country. It mainly happens is on an ad-hoc basis. A



startup that has raised funds can count the investors for a few types of mentoring, but honest, unbiased, good business mentors are far and few in between. For startups, finding a decent mentor is commonly construed to be an uphill task.

- *Policies* – Government is the core enabler for the entrepreneurial ecosystem. The government's role has thus been limited to giving out grants and loans, but without a good, efficient and enabling environment, it just does not serve the purpose. In this context, it will be interesting to work out the contours of the recently announced Startup Fund within the 2016 year's budget. For startups to thrive and succeed, the government features a lot to try to do and understand the importance of entrepreneurship in economic development.
- *Availability of skilled manpower* – The economy has been in an exceedingly flux and together with the global economy the heady days of high growth are long gone. In an uncertain economy where, one is not sure about demand, for a startup, it is particularly difficult to form correct estimates on the quantity of employees needed. The manpower demand in India is at such a wide scale that the National Skill Development Corporation (NSDC) has set a target to train and instill the requisite skills as many as 150 million of the Indian population by the year 2022.
- *Funding* – One of the fundamental and perpetual obstacle that pertains to a startup is its capital and funding. While nowadays, angel investors, working capital and private equity have brought easement to some extent, an outsized number of startups still grapple to lift funds from institutional setup. Funding challenge does not just involve seed rounds, but also about vital Series A and B rounds. For a startup looking to scale, it is still very hard to lift rounds to scale because the number of investors that write larger cheques in India are very limited in number.
- *Education Gap* - An average monthly estimated 4,000 people start their own ventures in India. Youngsters have great ideas but they must be trained. Plenty of institutions are trying to fill that gap, but it's not enough. That's why you have got that high rate of mortality in startups. It is almost impossible to learn entrepreneurship from any B-schools because of the huge disparity between what is taught and what is expected from them in reality.



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### **What's hot and what's not about startups in India?**

The new generation is way more confident and assertive than the generation in which our parents grew up. The provision of jobs is bigger today in addition. Youngsters today can face their parents with more assertion and confidence as an opposition to the mediocre career choices. In contrast to this ideology, a lot of young mind are now geared to plunge and go with the peer flow, into this unexplored business regime with no back up plans and clear visions. So far as the cultural perspective is concerned, we don't encourage our children to become entrepreneurs. We have got to move into a brand-new caste system where the common question asked remains: "Are you employed with Wipro, Infosys or GE?".

Our approach to popping out is to some extent fundamentally flawed. In the US, you would head to a client and say, "If I were to create a product like this could you get it?", then return and build it. Alternatively, in India, we approach the customer with the words, "I am building a product which is superior and more preferable than those produced by the foreign companies." Yes, we venture into new projects without having any understanding of what the market actually needs and desires.

### **What new entrepreneurs need to know?**

- ✓ It is all a time game. Success isn't about getting it right the first time but about doing it until you get it right. A lot of ecommerce companies have come and gone, without us even being aware as customers. If Uber had come to India five years ago, they may not have clicked so successfully as they have in the current scenario.
- ✓ You need to constantly struggle and mark ahead in competition along with keeping a positive set of mindsets.
- ✓ The aspirations, foresightedness, patience etc. are the minting factors behind any entrepreneur's success stories. Its difficult to share the company targets and portfolios with the human capital of the startups since it requires payment of costs and salaries in the initial stages of no-profits.

### **How can the government ensure a level-playing field?**

Mandating transparent pricing and complete disclosure of subsidies may be one step. This can in turn make consumers tuned in to the sticks that will follow after the carrot of low pricing goes. Recently, Meru and Ola approached the government to formulate norms for app-based cabs just like those for e-commerce firms



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which consequently aid in curbing direct competition from key discounting players like Amazon.

### Some of the success stories of Startups in India:

It is imperative on the part of the startups to establish a level of mental, psychological and emotional connect with its end users towards the products or services, they aim to deliver. Though the Indian startup scene is comparatively new compared to the one geographical specific player from Silicon Valley, a variety of startups have managed to become brands to reckon with in but 10 years. Few of them are shared below:

- Ola – It has succeeded for its speed of execution.
- Zomato – It has established itself as the market leader in the food delivery space. Starting as a restaurant review platform, it has been able to leverage that position to become a market leader in food delivery business.
- Big Basket – It will be attributed largely to its business model, which is different from what others within the space followed.
- Flipkart – It has not only emerged to become the first Indian unicorn startup in terms of valuation but has also helped to change how venture capitalists perceive Indian startups.
- Paytm – One of the primary beneficiaries of the government's push for cashless transactions, Paytm has managed to occupy the top spot in the emerging payments and fintech space of India.
- Byju's – Started in 2011, the Covid-19 pandemic has given a boost to this ed-tech startup as parents have sought to continue education of their children while schools remained closed.

### Conclusion:

India is at such a juncture currently that it is required to regale the aspirations and needs of millions of people at one go. Existing frameworks can encourage to be inadequate and there is an excellent requisite to leverage a billion minds and become a global power. Startups and entrepreneurship is the best way forward in becoming a worldwide key player.

It wasn't easy to dream out of the box two decades back, as it is now. Not only are parents more accepting of their children's unconventional career choices, there is a climate that encourages innovation similarly. While it presents an excellent opportunity for the economy, there is also a controversy of plentiful ideas falling by





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the wayside. When two ideas meet, it enhances the capital inflow and also the doubled rate of thinking power.

With the introduction and announcement of the Startup India initiative, the emerging and growing industries in our country are absolute to be benefitted and go on a rather extended way. Simply put, you see, when you stand in a quicksand, you would always go down quicker, if you flay your limbs wildly. The things are surely in an exceedingly bad shape at the instant sharing towards the economic scenario, but if we clear these hurdles and with the passage of time, there is no stopping India in becoming one in every of the super powers in the world.

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