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STATUS & ROLE OF STARTUP IN INDIA

Jyoti Sharma , Assistant Professor Economics , GC Meham
Gautam Ram, Assistant Professor Mathematics, GCW Sampla

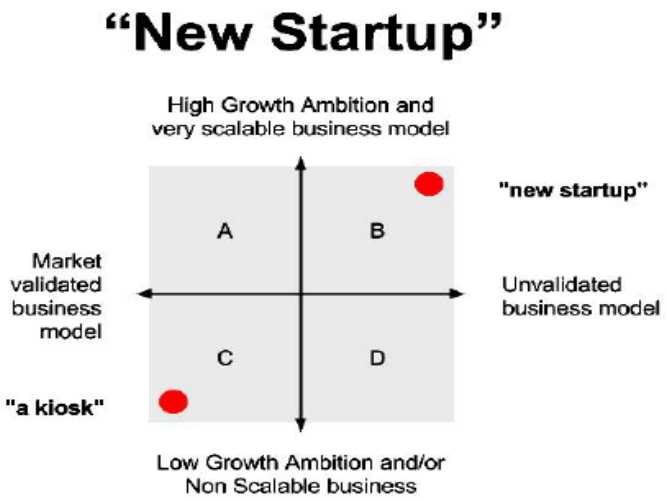
Abstract: *The startups are the kind of companies which are innovative in their course of analysis, evaluation research for the target segment. The major objective of the paper is to analyze the current status of innovation in India and challenges towards it and how the startup initiative help to come out through those challenges i.e. help in India becoming an innovative country.*

Keywords: startup, innovation, issues.

1. INTRODUCTION :

Startup India initiative is based on an action plan aim to promote bank financing for startups to encourage the entrepreneurship and job creation in the country. It was started on 16th January 2016 .Government of India organized a global workshop on "Innovation and startups" on Jan 16 2016. The aim of this workshop was to provide a platform to bring all stakeholders which face many challenges and provide the potential solution to address them.

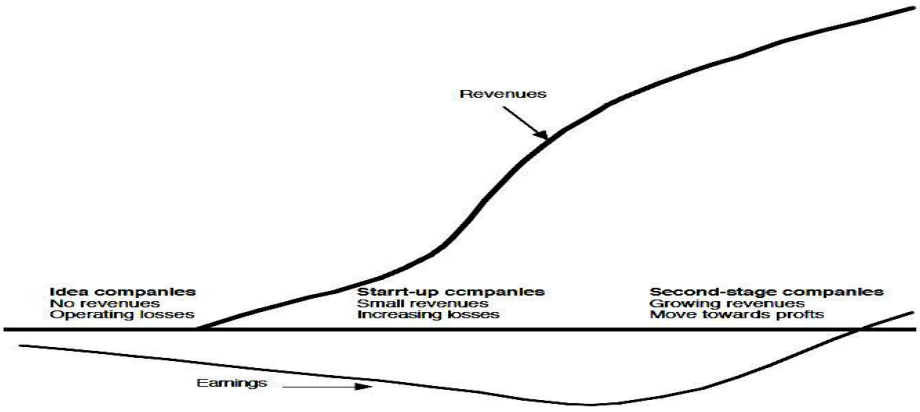
Paul Graham says that "startup is a young company which takes more effort and energy. It is a company designed to grow fast. But every new company does not in itself make a startup company. It is necessary for a startup to work on technology, research and innovation, or take venture funding and has some short of exit. The only essential thing is growth. Everything else we associate with startup follows from growth that simplified method for identifying a potential startup company from just a new company". Simplified method for identifying a potential startup company from just new company is shown in the diagram below



Source: Sharifi , Hossein ,2015

When someone starts a new business with an idea that he or she thinks can fill need consumers, while some others moving forward convert the idea in to a commercial product and still there are others who further move towards commercial success and have a market for their product or service, with revenues and the potential, at least, for some profits.

The early stages of the life cycle of the young companies



Source: Aswath Damodaran, Stern School of Business, New York University, 2009

2. REVIEW OF LITERATURE :

Akanksha Dutta (2006), has published a study on the reasons for starting a business and the influence of various policies, programs, Agencies involved in enhancing the startups. Findings of

the paper show that there are various reasons behind setting up the startup such as monetary gains ,job creation ,own brand ,converting vision into reality ,economic independence, learning different forte, share talent, legacy and so on. It was concluded that the government has made many plans, policies, strategies which help the entrepreneurs to start a new business.

Omid Sharifi; Bentolhoda K.H. (2015), in their study objective was to analyze challenges of Indian financing startups and to discuss the principal financial resources of startup. The major challenges faced by the Indian startups are severe shortage of startups support networks, imperfect education system, entrepreneurship ecosystem and human talent. India does not have an adequate number of angel investors who can sport budding entrepreneur from an early stage. They discussed that the main financing resource of Indian startups are venture capital which is provided by public banks, centre and state government controlled development finance institutions and private sector companies.

3. RESEARCH METHODOLOGY AND OBJECTIVES:

The study was based on the secondary data which has been collected through websites, newspapers, magazines, government reports, books, research papers etc. There are two major objectives of the study: i) to analyze the status of innovation in India and challenges faced by it; ii) role of startup initiatives in innovation.

4.STATUS OF INNOVATION IN INDIA:

India still far behind in terms of making effective use of present global knowledge, which have great spillover effects. Innovation normally divided into three broader forms: innovation based on (a) technology adoption; (b) technology adaptation and (c) technology creation.

Success and extension of benefits of innovation requires a particular nation should able to disperse the modern and more efficient practices and make it available to large number of users, this dispersion is equally applicable to domestic and foreign knowledge. Green revolution and white revolution excellent example of an incredible job of diffusing knowledge and technology, in the context of India. Now, India requires to make more efforts to increase the productivity of

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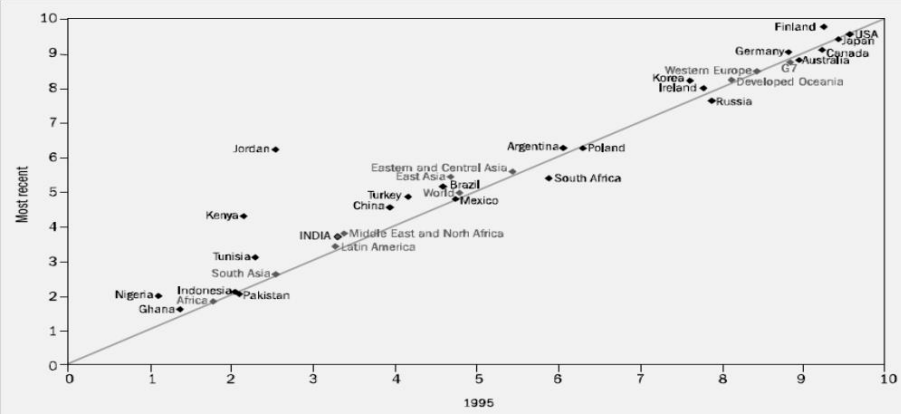
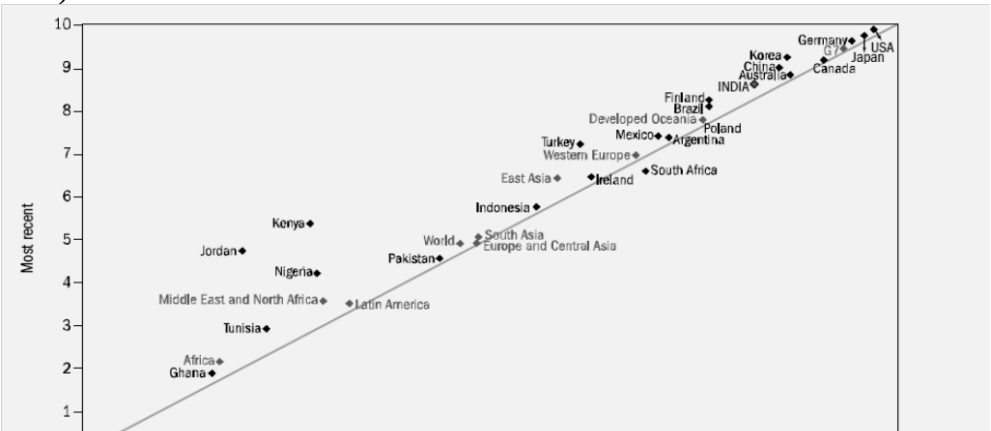
all sectors of economy by focusing on creation of forward and backward linkages, how to produce information related economies, making supply of inputs more elastic, and change in production technologies according to the global requirement.

No doubt India posses' great potential in R&D, but due to presence of discrepancies in patent it was not able to mope the benefits of research. Among various methods one major way of representing status of innovation by using the Global Knowledge Economy Comparisons mode presents a simple way to visualize and comparing countries and regions, in terms of their development towards a knowledge economy, by plotting them in a scatter plot based on their relative performance in the KEI for two points in time: 1995 and most recent (Figure - 1)

FIGURE - 1. Benchmarking Innovation, India and the World, 1995 and Most Recent Period
a). Scaled by population



b). Absolute



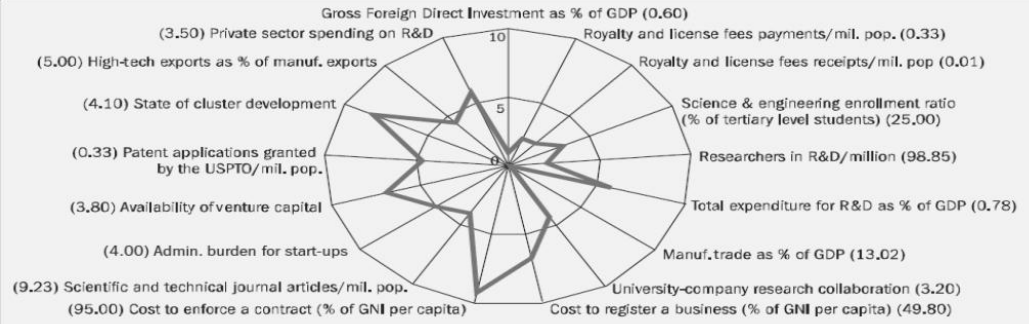
Source: Dahlman; Utz; 2005

The diagonal line represents the locus of points where the KEI values in 1995 and in the most recent year are equal. As such, countries and regions that appear above the diagonal line have made an improvement in the KEI since 1995, and countries that appear below diagonal line have experienced deterioration in terms of the KEI (Chen;Dahlman).

One can infer from the figure 1-a that, India is in better position than Africa, South Asia, and Latin America Regions, when scaled by population, but still lags behind Brazil, China, and other comparators in the innovation area .

On the other hand Figure 1-b shows that, in terms of absolute size, India is in very advantageous position which shows that India's R&D personnel inputs surprisingly are considerably higher than even those of Western Europe. Figure 2 presents the detailed innovation scorecard for India. It is clear from the fig. that only o.78% of GDP was spent on R&D, on the other hand 3.50 % of private sector made investment in it.

FIGURE. 2 : India's Scorecard on Innovation, Selected Variables, Most Recent Period



Note: Values in parentheses denote actual values for India for the most recent period for which data are available. Each of the 80 variables in the KAM is normalized on a scale of 0 to 10 for 128 countries. The fuller the scorecard, the better poised a country is to embrace the knowledge economy. But an economy should not necessarily aim for a perfect score of 10 on all variables because the scorecards may be shaped by the particular structural characteristics of an economy or by trade-offs that characterize different development strategies.

5. ISSUES IN THE INNOVATION SYSTEM :

As a result of the 1991 liberalization of the Indian economy, several changes have taken place in India's innovation landscape Issues related to strengthening India's overall innovation system highlighted in this section.

A. Need of linkages between academia and industry: An important aspect of good innovation practices worldwide is improving linkages between research and industry. For instance , in Denmark , presidents and representatives of industries and companies regularly participate in boards of academic departments at universities in order to advice them regarding globally required training and research priorities .Although, in this area not too much progress made in India where still large gap exist between academic world and industry. In order to transform to a knowledge economy, India required integrating the demand of the market into the education system.

B. Strengthen intellectual property rights and the patent regime: The protection of IPRs is becoming increasingly important in knowledge-based economies. This is being driven by the mounting costs of R&D for new products or processes, shortening of the product life cycle, rapid growth in international trade in high-tech products, and internationalization of the research process.

In order to recognize its position in emerging global innovation market India also required progressive patent laws and a robust IPR regime. On January 1, 2005 following the provisions of WTO India passed a new patent regime. Beside of promoting innovations in country, the role of IPRs can't be ignored in attracting new investments into the country, which is only possible through IPRs thorough enforcement in the country.

C. Encourage R&D for new product development: New product development is necessary for intra industry trade as commodities involved in intra industry trade is equally profitable as inter industry trade commodities. A major identified driver of R&D activity

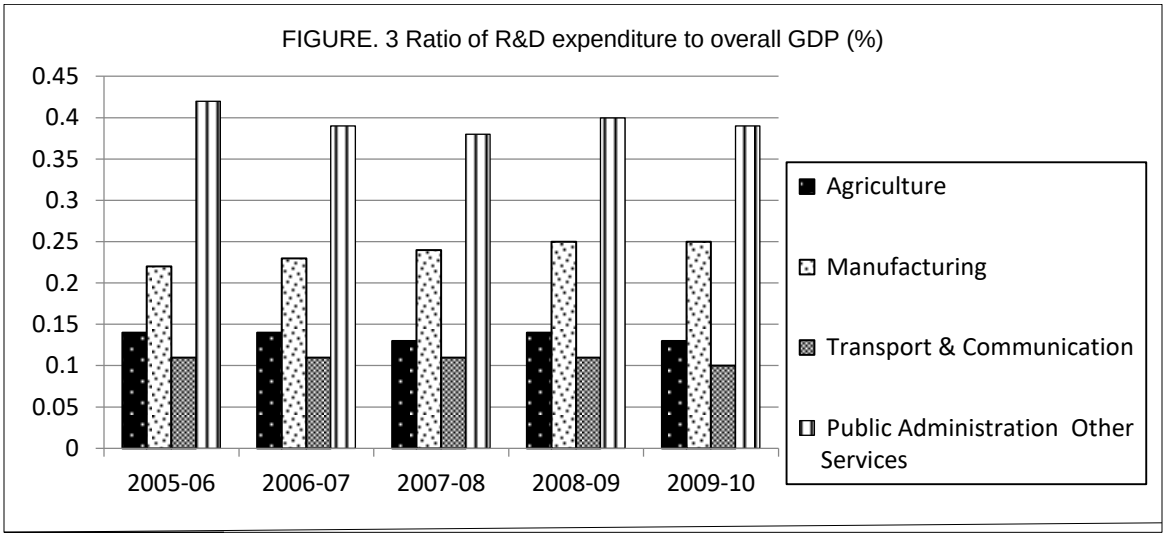
includes - more demanding customers, market pressures to keep up with competitors, development of new technologies, and shorter product life cycles.

D. Support to diversified R&D: The arena of innovation not to be limited to few areas or sectors. For instance, in India R&D is always supposed to be linked to science related field like pharmaceutical, and so on and that s why research in these areas normally more funded and sponsored, which ultimately discourage the investment in research and development related to others streams or field.

E. Boost to agriculture based innovation: India is agriculture based economy, but still only 0.6 % of GDP spent on it for research and development. However, with the applicability of law of diminishing return the productivity and growth of agriculture sector can only be raised through innovation .Condition of support given to R&D in agriculture sector can be understand with the help of fig -3.

It was clear from the fig.3 that share of R&D expenditure to overall GDP remain stagnant on 0.14 % from 2005 -2010.However various efforts has been made by government to promote innovation in this area but due lack of coordination and proper execution those efforts don't come up to expectations.

FIGURE. 3 Ratio of R&D expenditure to overall GDP (%)



Source: https://data.gov.in/

No doubt India's agricultural higher education institutions have also recognized the importance of education, research, and extension activities as integral to their functioning.

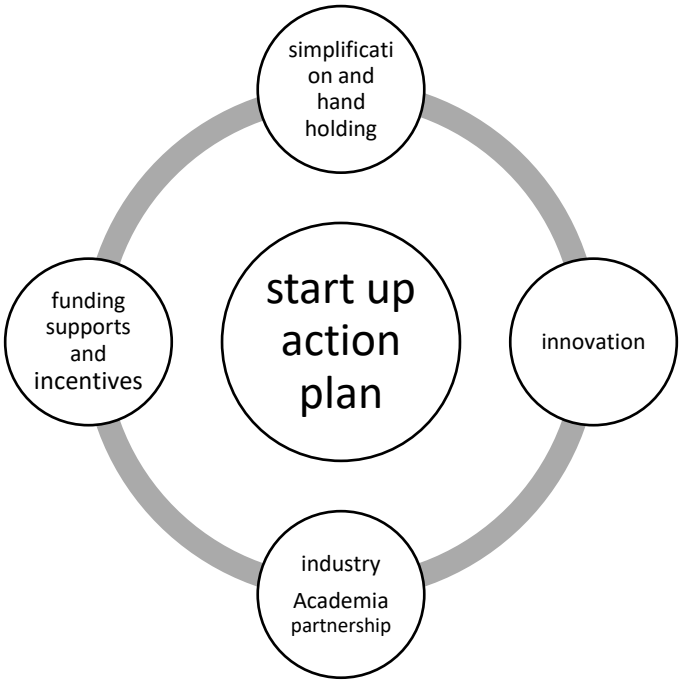
Despite of the efforts made by these institutions to provide high quality education, training and research accompanied by lack of financial come forward in the form of loss of quality of education and in the form of performance of graduates and postgraduates of various institutions. It is required to pay more attention to the quality of this institution and try to make optimal utilization of agricultural human resources.

F. Welfare approach of R&D: According to Dr. R. A. Mashelkar, "India is part of the IDCs, innovative developing countries (as opposed to the LDCs [Less Developed Countries] that the world knows of) that include Brazil and China, and has demonstrated its potential in the area of not only high-end R&D, but is also using public-private partnerships to harness the potential of traditional knowledge to meet health and welfare needs and to reduce poverty." (Dahlman; Utz;2005)

Facing the problems of unemployment, poverty and inequality in income distribution, it is necessary for India to focus on researches and development which help it reduce the backwash effect of these constraints i.e. need to adopt the welfare oriented research projects through which spillover effects and trickle down effects can be generated.

6. MOVING TOWARDS STARTUP APPROACH :

Start up India campaign is a flagship event of government of India intending to build a strong ecosystem and startups in the country. This will generate more employment and sustainable economic growth. Prime Minister Narendra Modi announced this campaign on 15th August 2015. On 16 January 2016 this campaign was inaugurated by the finance minister Arun Jaitley. In this event, the aim of the government is to promote innovations by creating an ecosystem that is conducive for growth of startups. The objective of this initiative is that India must become a job 'creator nation' instead of being 'job seeker' nation. In order to meet the objectives an action plan was announced by government that address all aspects of startup ecosystem. The action plan is divided across the four areas .



7. BOOST TO INNOVATION :

Following plans proposed under startup approach was expected to boost innovation:

1). Self certification: The main objective of the government is to reduce the load on the startups hence allowing them to concentrate fully on their business and keeping the low cost of adherence. It will include labor laws and environment related laws.

2).Start-up India hub: A single contact point will be created for the start-ups in India, which will enable them to exchange knowledge and access to funds.

3).Register through app: An online portal, will be available in the form of a mobile application, which will help entrepreneurs to interact with the government and other regulatory officials.

4).Patent protection: A monitoring system for patent inspection at reduced costs is being created by the central government. It will enhance perception and acquisition of the Intellectual Property Rights (IPRs) by the entrepreneurs.

5).Rs 10,000 crore fund: The government will develop a pool with a starting aggregation of Rs 2,500 crore and a total aggregation of Rs 10,000 crore over four years, to help new entrepreneurs. The important role will be played by the Life Insurance Corporation of India in blossoming this collection. The fund will be managed by a group of professionals selected from the start-up industry.

6).National Credit Guarantee Trust Company: A National Credit Guarantee Trust Company(NCGTC) will be created with a budget of Rs 500 crore per year for the next four years to help the drift of funds to entrepreneurs.

7).No Capital Gains Tax: Investments through venture capital funds are exempted from the Capital

Gains Tax. The same policy will be executed on start-ups.

8).No Income Tax for three years: Start-ups would not pay Income Tax for the first three years.

9).Tax exemption for investments of higher value: In case of ventures of higher amount than the market price, they will be exempted from paying tax.

10).Building entrepreneurs: Creative study plans for students will be implemented in over 5 lakh schools. Apart from this, there will also be an annual businessman grand provocation to develop high class businessmen.

11).Atal Innovation Mission: This Mission will be propelled to revitalize ideas and motivate creative youngsters.

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

13).Research parks: The government plans to lay seven innovative research parks, including six in the Indian Institute of Technology campuses and one in the Indian Institute of Science campus.

14).Entrepreneurship in biotechnology: The government plans to construct 5 advanced biotech nests, 50advanced bio incubators, 150 technology transplant offices and 20 bio-connect offices in the country.

15).Legal reinforce: A committee of moderators will give legal help and reinforcement in complying patent applications and other papers.

16).Rebate: An exemption value of 80 percent of the total value will be given to the start ups on filing the patent applications

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17).Easy rules: Standards of communal acquisition and mandate of switching have been easier for the entrepreneurs.

18).Faster exit: If an entrepreneur is unsuccessful than the government will help him to get a particular resolution

8. CONCLUSION :

By implementing startup initiatives, no doubt, India has taken a step towards becoming a more dynamic economics .but still a lot of efforts required to come out from challenges and that was only possible through proper implementation of startup strategies and policies.

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