

Policy Initiatives for Start Ups: The India Story

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ABSTRACT

The author reviews the concept of startup and how it should be promoted. The author suggests that the ecosystem to promote startups is necessary. The author suggests that there is a need to create a system to promote innovations, entrepreneurship and to create ease of business. The author critically discusses the case study of India and finds the reasons for lack of desired success.

Keywords: Startup, Entrepreneurship, Innovation, Policy, India

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INTRODUCTION

Startups refer to a new business unit, which is either under process of formation or has just been formed. This is the phase where the business model is still in development phase. The promoter of startup is trying to prepare a product which will be acceptable in the market and therefore there is an experiment with regard to product, market, target customer, services to be offered, terms and conditions of the business etc.

STARTUP ECOSYSTEM

Startups are experimental stage business ventures, which have yet to establish product-market-customer structure and which have yet to establish a well defined business model. It is truly the starting phase of an organization. Startups focus on building an innovative business model and therefore they require some time to clearly establish their identify. Research studies have found that startups contribute to overall entrepreneurship and job creation. The startup of today would be a flourishing organization of tomorrow; therefore there would be lot of scope of job creation. Startups are based on systematic study of markets, customers and society, so we can call them the

torchbearers of the future. Startups engage in initiatives which are catering to the needs and demands of the society.

Startups work from minimum resources and keep adding additional resources or products as per the opportunities in the market. Startups take up “bird in the hand” argument of taking up ventures, which can be easily launched with minimum requirements of additional resources. Startups take up the needs of common people and find out innovative means of fulfilling those needs. The innovations can be at any stage of value delivery. Innovation can be at the stage of product design and delivery. Startups assess the gap in the market in terms of customer expectations and availability of products and services. Startups exploit their flexibility in product and service design so that they are able to reach and exceed the expectations of the customers.

Generally startups leverage on technological advances. They take up a high-tech sector and introduce technology for mass-product application. They use latest technology to create differentiation. Startups thrive in an ecosystem where there is appreciation for high-technology

and innovation. They launch their products and services to the premium class and slowly enlarge their products to reach the middle class and lower class in next phases. The success of startups in developed countries has propelled a new revolution in this sector and now developing countries are also trying to boost startups. Many governments are now framing startup policies and creating incubation centres to foster startup incubators and accelerators.

Success in business depends on many factors. Innovation is an important determinant of success. Innovation depends on divergent thinking and a culture of creativity and experimentation. Innovation alone cannot enable startups to succeed. There is a need of an ecosystem that fosters startups. There is a concept of ease of business. The countries where ease of doing business is high, often provide a fertile ground to startups. Ease of doing business depends on following factors: -

- a. Starting a business: how easy it is to start a business
- b. Dealing with permits: how difficult it is to obtain construction permits and how much time does it take
- c. Getting electricity: time and bureaucratic hurdles
- d. Registering property: how much time does it take and what are the costs involved
- e. Getting credit: how fast it is to get credit
- f. protecting investors: what are the measures for investor protection
- g. Paying taxes: how many types of taxes are there and what are the rates of duties and also how much time is spent in tax related formalities
- h. Trading across borders: how much difficult it is to export or import and how much documentation and other formalities are involved
- i. Enforcing contracts: how effective is the system for contract enforcement
- j. Resolving insolvency: how much time does the legal enforcement take and what are the probabilities of recovery

Thus the above parameters define the overall ease of doing business. Countries like New Zealand and Singapore top the world in ease of doing business. The countries which are high on the above parameters also have effective ecosystem for startups.

Countries which are actively fostering startups have to constantly improve their overall environment for doing business. India has for example, improved its ranking in ease of doing business index from 100 to 77 ranks between 2017 to 2018. This is consistent to the overall initiatives for fostering ecosystem for startups in India. There is concurrent improvement in overall government machinery and as a result there is reduction in bureaucratic hurdles for business.

Startups require a very healthy ecosystem for finance. Startups obtain initial funding from friends, relatives, angel investors and private equity players. Developed financial institutions, developed financial players help in the development of the ecosystem.

Different forms and structures of business organizations also help in creating an ecosystem for startups. Countries are now introducing newer forms of business enterprises to boost entrepreneurship. India for example has now permitted limited liability partnerships and one Person Company in the recent past to foster entrepreneurship. We require development of a healthy system where different types of business structures are permitted for different size and scales.

CASE STUDY: INDIA

The government of India has now given a boost to StartUps. Universities are now giving permission to the students to do their projects in StartUps and they are permitted to take up their final year project as an entrepreneur. Educational institutions are providing mentoring, incubation and

free office space to their students to enable them to venture out. StartUp India is the overall brand under which various schemes of the government of India are rolled out to promote entrepreneurship. Atal Innovation Mission is promoting setting up of Atal Incubation Labs and Atal Tinkering Labs. IIMs and IITs have established incubation centres. However, common person is still not able to avail all these facilities and schemes, because most of the schemes and opportunities are available to English speaking youth (India got independent from Britain but the mentality of inferiority still remain with Indians, who still consider themselves inferior in speaking Hindi or their mother tongue and continue to discourage the common people in India, who are not able to speak in English. Those persons, who are able to speak English fluently are given higher status in employment, social order and social gathering. It seems that the inferiority complex with regard to language will continue). A large number of StartUps are emerging, but most are not able to grow and become self-sustained. Most of the StartUps fail to benefit the common people (understandably because most of these startups are being launched by English speaking persons, who carry arrogance and do not mix well with common people of India and therefore they do not understand the needs and aspirations of the common people). The government of India has invested heavily in this project; however, the results are disappointing. There is now growing awareness among people about Startups, but the results are far from expected. Those people, who want to become entrepreneurs or who want to transform the society through their innovations are generally connected to the grass roots and they are generally not very educated and not able to speak English fluently and therefore they are not given any support by this new movement (which is dominated by high-tech English-speaking youth). The gap between Bharat and India is widening

with the new Startup initiative of the Government of India. However, there is now a understanding that in the years to come, the bureaucracy will reduce and ease of doing business will improve. The shackles of bureaucracy, which have annihilated the business environment in India, has now broken and bureaucrats have now understood that they must simplify their procedures. They have been forced to introduce e-governance (digital India initiative), however, they are reluctantly implementing it and trying to create some or other problem for the common people through introduction of complicated requirements of online submissions etc. The number of laws governing business is also being reduced and these laws are simplified also so that people may find it easier to do business in the future (although Indian business laws are even today very lengthy and very cumbersome considering the fact that most of the common people are not able to understand them well and they get discouraged to do business due to these draconian laws).

CONCLUSION

Startups and entrepreneurship are the most important policy domains for every government. The government of India has given a big boost to entrepreneurship through its startup policy. A number of initiatives have been taken up. The government machinery and bureaucratic system is also being revamped through e-governance. The government departments and bureaucratic machinery is a big hurdle in the path of entrepreneurship, but it is being transformed. A number of initiatives are being taken up to promote innovations and a culture to foster innovation and entrepreneurship is being created. In the long run this will help in the transformation of the country.

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