A Qualitative Study of Indian Startup Founder Capabilities and Startup Ecosystem in India

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Under the guidance of

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CERTIFICATE

I have the pleasure to certify that **Harsh Deep Srivastava** has pursued his Research work and prepared the present dissertation titled **"**A Qualitative Study of Indian Startup Founder Capabilities and Startup Ecosystem in India" under my guidance and supervision. The dissertation is result of his own research and to the best of my knowledge, no part of it has earlier been part of any monograph, dissertation or book. This is being submitted to the Indian Institute of Public Administration, New Delhi, for the purpose of Master Diploma in Public Administration in partial fulfillment of the requirement for the Advanced Professional Programme in Public Administration (APPPA) of Indian Institute of Public Administration (IIPA), New Delhi.

I recommend that the dissertation of **Shri Harsh Deep Srivastava,** is worthy of consideration for the award of Master Diploma in Public Administration by Indian Institute of Public Administration (IIPA), New Delhi..

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DECLARATION

I hereby declare that this submission is my original piece of work and to best of my knowledge and belief, it contains no material previously published or written by any other person. I am aware of the University's norms and regulations regarding the plagiarism including the disciplinary action that it may invite. Any use of the works by any another author, in any form, is adequately acknowledged at their point of use or in the Bibliography.

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Abstract

New firms have a major effect on growth paths and the economy. India is seeing the development of a Startup Community, a strong entrepreneurial culture among millennial, new funding avenues, possibly an outcome of progressive growth of industries, developments post 1980, political will, and emergence of policy framework supporting the ecosystem, which along with Silicon Valley trajectory, inspired many Tech Startups, followed by wave of Internet, Telecom, and IT, shaping Indian Startups growth story.

Assessment of Startups in India have relevance of historical backgrounds of family-owned and run businesses performing better than professionally managed companies earning a respectable 14% annualised returns on the stock exchanges between January 2017 and January 2020 and a market capitalization close to INR 70 lakh crore. Analysis also considers global viewpoint and major changes that moulded development with rise of IT, Telecom, and dot-com sectors followed by internet creating many possibilities for Startups which further got push with start of Startup India in 2016.

The study provides a summary of performance and new answers to Startup issues and challenges and how subsequent changes have disrupted the Startup Ecosystem.

In February 2016, the government of India launched a mega policy framework to promote "The Mission Startups" with an Action Plan - Startup India Action Plan and policy changes to accelerate growth with measures like Skill India, Invest India, and some from successive budget announcements creating multi-dimensional avenues for Startups & SMEs from funding arrangements, like Fund of Fund with a corpus of Rs. 10,000 Cr.

Startup India and DPIIT engaged States in building Startup Ecosystems and business, resulting in 30 of 36 States & UTs adopting Startup policies. The 19-Point Startup Action Plan and Approval Process, which includes Simplification and Handholding, Finance Support and Rewards, and Industry-Academia Cooperation & Training, boosts the ecosystem and reviews the 2016 Startup definition twice in May 2017 and February 2019. Stakeholders must constantly monitor the success or failure of Startups at any point of their life cycle and the policy structure that emerges. Startup era and components form the entrepreneurial ecosystem.

A healthy business system, including Culture, Talent, Facilities, Rules, Money, Know-how, Market, and proper use of these, fosters the Startups Ecosystem.

Startups have grown exponentially, from a number of Tech Companies to dozens to 55K by 2020, 590 Districts with at least one recognised Company, and capital reaching three digits. $Billion gave Startup Community trust, increasing Unicorns, a good sign of development, likely to see YoY rise of 12-15%. MakeMyTrip, Ola, OYO Rooms, Swiggy, BIJU's, BigBasket, Udaan, Delhivery, GARRUD, and others are thriving startups. The analysis suggests businesses should seize huge chance. Funding patterns also show that investors wait for startups to grow before investing with sector-specific biases. Demographically, Bangalore remains the Indian Silicon Valley and IT Hub, followed by Delhi NCR and Bombay. Startups and their ecosystems need exit to cycle funds back to the market, according to study.

The government has genuine efforts on ease of doing business and innovation index, but there are framework areas that call attention to Startups problems and better working on

Innovation, Compliances and Patents. Startup ecosystems are shaped by local people, government, chances, market forces, financial climate, and big markets. Therefore, entrepreneurs should perform their business plans methodically in a way that helps them live, add value and honour for their success at every step until they gladly lead to maturity—either merger & acquisition or exit. However, Startups in India face common challenges related to Funding, Technology & Infrastructure, Timing, Competition, Growth, Founder issues such as poor planning, lack of understanding of the market, lack of skilled hands or mentor, running out of fund, stiff competition, low tolerance of risks, etc. Even most Unicorns have yet to post profits necessary for creating wealth and employment. Partners have helped startups grow, but a high failure rate is a study area.

The study has focused on Startup performance, including what makes some effective and others fail. With advice from Guide, a methodical and organised study has been conducted to thoroughly examine Startup issues and challenges, the Startup Ecosystem, what helps Startups thrive, and how new technology-driven solutions are affecting business in India. Based on the available literature and research gaps leaving room for further study, the research design broadly discusses research questions keeping growth yardstick for vision of $10 Trillion economy, financing arrangements, role of Stakeholders, financial viability, availability of infrastructure, monitoring arrangements to evaluate Startups Performance.

Research objectives have been framed keeping dynamics of Startups in India, factors affecting their performance, what led youths to go for Startups and correspondingly research questions were phrased.

The study used qualitative, case-based, and Mentors and Founders observations based methods on Startups in India to determine factors affecting startup success and execution to propose a viable framework. Company growth is favourably affected by support factors. The government's reforms in recent years have been promising, but the failure of most Startups requires reflection to comprehend their challenges.

Taking a stock of issues and challenges faced by Startups, research interacted with Industry Experts, Policy Makers, Academicians, Entrepreneurs, Bankers, Angel Investors, and Professionals in diverse sectors.

The study concluded that capital is the scarcest resource with regard to this solution to the country's unemployment problem and development aspirations. Startups will be one of the methods to gainfully employ the nation's growing youth population. Additionally, the founder is the most essential determinant in the success of a startup. Despite the fact that numerous studies have examined the founders' motivation psychology, personality traits, etc., these characteristics are not manifest, and Startup Incubators and Alternative Investment funds, Private equity and Angel Investors may not be aware of them until it is too late. If a conclusion can be derived from a study of these items, it can increase the likelihood that the startup will be successful. From the discussions in different sections of the report, it could be seen that:

Even if only one of the founders is from a business family, it is advantageous for the startup. However, most youths from business families prefer to enter the family business, so the majority of startup founders are first-time entrepreneurs. The Incubators/Mentors/AIFs/VCs/Private Equity Firms have vast networks and talent pools.

Where the startup in question lacks in this regard, they should endeavour to recruit such individuals as founders. It will increase the Startups' likelihood of success.

If the pioneers have accumulated capital or a stable family income, it is advantageous for the Startups. The Incubators/Mentors/AIFs/VCs/PEs have extensive networks and fortitude, and they should consider the possibility of employing a family member of the founder if the founder's household lacks regular income. It will increase the Startups' likelihood of success.

It is advantageous for Startups if the founders are professionals who have taken courses and trainings in Startup and entrepreneur-related areas such as Idea Validation (identifying and evaluating an idea, analysing the environment and competitive advantage), Finance and Legal matters (company registration, permits, compliances, intellectual property rights), and Pitching and Funding (Funding and Valuation, and Pitching and Funding process). The Incubators/Mentors/ AIFs/VCs/Private Equity firms have vast networks and talent pools. Where the startup in question lacks in this regard, they should Endeavour to recruit such individuals as founders. It will increase the Startups' likelihood of success.

It is observed that the majority of startup founders lack the training or experience to deal with acquiring patents, but the DPIIT's Startup India Action Plan has failed to address this issue. Similarly, the majority of startup founders lack training or experience with the various permits required by Indian rules and regulations, but the DPIIT's Startup India Action Plan, which was intended to expedite startup IPR requests and expedite the issuance of regulatory permits, has failed to deliver. Currently, there must be a closer

relationship between the Startup and the central government agency that coordinates Startups. However, this is not feasible at DPIIT, as the number of Startups recognised by DPIIT is about to surpass one million. In light of this, the government should consider the formation of a special purpose vehicle or an organisation similar to NASSCOM, which has performed exemplary work for India's IT and BPO industries.

Startup India Hub/App aimed to establish a singular point of contact for the entire Startup ecosystem and facilitate knowledge exchange and funding access. On June 19, 2017, the government launched the Startup India Online Hub, which was billed as a one-of-a-kind online platform for all stakeholders in India's entrepreneurial ecosystem to discover, interact, and engage with one another. The online centre contains startups, investors, funds, mentors, academic institutions, incubators, accelerators, corporates, Government bodies, and more; however, the majority of founders surveyed did not visit Startup India Hub/App after registering with DPIIT. This is 'the' pivot point of the DPIIT-mandated Startup ecosystem, where all networking, etc. was supposed to occur; therefore, it is a pivot point failure. DPIIT should require periodic logins to the website/app, as well as a measure requiring the startup to provide constant feedback and view all feeds at least once, or participate in periodic tasks, in order to maintain startup status.

Most startups have not been able to take advantage of the available tax reliefs because they perceive it to be too difficult and time-consuming. Similarly, the majority of startups have been unable to utilise the research park facility Innovation centre at the National Institutes. This is another area where a closer relationship is required between the Startup and the central government agency responsible for Startups, namely the DPIIT. However, this is not feasible under the current structure of DPIIT, as the number of Startups

recognised by DPIIT is about to surpass one million. In light of this, the government should consider the formation of a special purpose vehicle or an organisation similar to NASSCOM, which has performed exemplary work for India's IT and BPO industries.

In the 19-point Startup India Action Plan, the objective regarding Credit Guarantee Fund for Startups was to provide Credit Guarantee for Startups by establishing a Credit Guarantee Fund for Startups (CGFS) to provide credit guarantee up to a specified limit against loans extended by Member Lending Institution (MLI) to finance a Startup. It is unfortunate that it has not yet taken off. The Status is that the Government has notified the establishment of the Credit Guarantee Scheme for Startups (CGSS) in October 2022 in order to provide credit guarantees for loans extended to DPIIT-recognized startups by Scheduled Commercial Banks, Non-Banking Financial Companies (NBFCs), and Venture Debt Funds (VDFs) under SEBI-registered Alternative Investment Funds. CGSS was intended to provide credit guarantee up to a specified limit against loans extended by Member Institutions (MIs) to finance eligible borrowers, namely DPIIT-recognized startups, but has yet to take off. In the meantime, many promising startups are struggling and are forced to seek out more expensive and inefficient financing or even shut down. Mentors have also identified this critical void in the Indian Startup Ecosystem, which hinders the Indian entrepreneur.

The study reveals that startups require Customer access and Marketing Support infrastructure. Although GeM provides a level playing field for public procurement, the demand for innovative products in the public sector is limited, and true progress will be made when startups can reach corporations and private businesses without difficulty. During their interaction, the Mentors have also focused on this issue, and the literature

review has also emphasised its significance. This is an issue that must be included in the DPIIT Action points. Further, the ONDC online platform will shortly go live; if Startups can be natively onboarded on this platform from the beginning, this could be a game-changer for Startups' Consumer access and Marketing & Sales requirements.

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List of Abbreviations

S. No.	Abbreviation	Full Form
1.	ASSOCHAM	Associated Chambers of Commerce and Industry of India
2.	ADB	Asian Development Bank
3.	AI	Angel Investor
4.	AI	Artificial Intelligence
5.	AIF	Alternative Investment Funds
6.	AIM	Atal Innovation Mission
7.	B2B	Business to Business
8.	B2C	Business to Consumer
9.	BM	Business Model
10.	CAGR	Compound Annual Growth Rate
11.	CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
12.	CSR	Corporate Social Responsibility
13.	CVP	Customer Value Proposition
14.	D2C	Digital to Customer
15.	DPE	Department of Public Enterprises
16.	DIPP	Department of Industrial Policy and Promotion
17.	DPIIT	Department for Promotion of Industry & Internal Trade
18.	EPF	Employees' Provident Fund
19.	GDP	Gross Domestic Product
20.	GPFI	Global Partnership for Financial Inclusion
21.	IICA	Indian Institute of Corporate Affairs
22.	IC	Incubation Center
23.	IPO	Initial Public Offer
24.	IPR	Intellectual Property Rights
25.	KSUM	Kerala Startup Mission
26.	KVIC	Khadi and Village Industries Commission
27.	M&A	Merger & Acquisition
28.	MNC	Multi National Company
29.	MCA	Ministry of Corporate Affairs
30.	MeitY	Ministry of Electronics and Information Technology
31.	MoF	Ministry of Finance
32.	MoRD	Ministry of Rural Development
33.	MHRD	Ministry of Human Resource Development
34.	MSD&E	Ministry of Skill Development and Entrepreneurship

35.	MSE	Micro and Small Enterprise
36.	MSME	Micro Small and Medium Enterprise
37.	MUDRA	Micro Units Development Refinance Agency Bank
38.	NBFC	Non-Banking Financial Companies
39.	NABARD	National Bank for Agriculture and Rural Development
40.	NASSCOM	National Association of Software and Service Companies
41.	NITI Aayog	National Institution for Transforming India Aayog
42.	NCR	National Capital Region
43.	PC	Planning Commission
44.	PE	Private Equity
45.	PSE	Public Sector Enterprises
46.	PMMY	Pradhan Mantri Mudra Yojana
47.	ROC	Registrar of Companies
48.	RBI	Reserve Bank of India
49.	R&D	Research & Development
50.	SPRS	Single Point Registration Scheme
51.	SDG	Sustainable Development Goals
52.	SETU	Self-utilization and Talent Utilization
53.	SCOPE	Standing Conference of Public Enterprises
54.	SEBI	Securities and Exchange Board of India
55.	SIDBI	Small Industries Development Bank of India
56.	STP	Software Technology Park
57.	TRIPS	Trade Related Aspects of Intellectual Property Rights
58.	TGM	Tiger Global Management
59.	UT	Union Territory
60.	VAT	Value-Added Tax
61.	VC	Venture Capital
62.	VCA	Venture Capital Assistance
63.	WB	World Bank

Chapter-1

INTRODUCTION

1.1. Brief Introduction to Startups in India

The watershed "Startup India" moment heralded on 15th August, 2015 by way of his announcement by Hon'ble Prime Minister of India from the ramparts of the iconic Red Fort at New Delhi, ushered in an era of vibrancy, vitality and vigour in the innovation based knowledge economy ecosystem of the country. The program envisages building an ambitious eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. To take it to practical level, an Action Plan for Startup India was unfurled by Prime Minister of India on 16th January, 2016. The Action Plan comprises 19 action items. Apart from the 19 points action plan, many other initiatives have been taken for overall growth of startup movement in the country. There has been a substantial progress under Startup India Action Plan across all the economic sectors including semi-urban and rural areas ever since the Startup India Action Plan's heralding in January 2016.

The scheme is mandated to be coordinated by Department for Promotion of Industry and Internal Trade (DPIIT) which is a central government department under the Ministry of Commerce and Industry, Government of India. DPIIT is responsible for formulation and implementation of promotional and developmental measures for growth of the industrial sector keeping in view the national priorities and socio-economic objectives in coordination with five other Government departments viz. Department of Science and Technology, Department of Bio-technology, Ministry of Human Development, Ministry of

Labour and Employment and Ministry of Corporate Affairs. DPIIT has a system of recognizing entities as startups and so far more than 94,000 entities are having the status of being DPIIT recognized Startup.

1.2. <u>Definition of a Startup:</u> Startups are normally Micro and Small Enterprises which may not have a track record. The definition of a Startup was reviewed by the government considering bottlenecks of Startups and SMEs and vide its notifications dated 10th March 2016, 23rd May 2017 and 19th February 2019, gradually widened the scope and definition of Startups.

The definition, as last amended in 2019, stipulate the following eligibility to be a Startup:

a. A Private Limited Company or registered as a Partnership Firm or a Limited Liability Partnership set up as per respective statute of India;

b. In operation up to 10 Years from the date of its incorporation and not exceeding turnover of Rs. 100 Cr. and is or has been working for technology driven development, innovation or commercialization of new products or processes, alternatively a business model which is scalable, can generate employment and create wealth.

However, no such entity will be considered as Startup if formed by splitting up or reconstruction of an existing business.

1.2.1. Startup Action Plan

Startup India Action Plan attempts to address various aspects of emergence of Startups & its Ecosystem in the country, moving from metros to small towns and in diverse sectors.

1.2.2. Action Plan with 19 Action Points - 3 Key Pillars

The comprehensive framework described through 19 Points Action Plan is addressing issues and challenge through Simplification and Handholding; Funding Support and Incentives and Industry - Academia Partnership and Incubation.

1.3. Evolution of Entrepreneurship

1.3.1. Evolution of Entrepreneurship- Indian Perspective

Entrepreneurship has been an integral part of Indian society for centuries. The country has a long and rich history of trade and commerce, with merchants and traders playing a key role in shaping the economy and society. Over the years, entrepreneurship in India has evolved significantly, driven by factors such as globalization, economic liberalization, and technological advancements. Hereinafter explores the evolution of entrepreneurship in India, from its early roots to the present day.

1.3.2. The Roots of Entrepreneurship in India: Entrepreneurship in India can be traced back to the ancient period, where traders and merchants played a crucial role in the exchange of goods and services between different regions. The country was a hub for the spice trade, with merchants from across the world coming to India to trade in spices, silk, and other goods. In the medieval period, India's entrepreneurial spirit was exemplified by the Chettiars, a community of traders who were known for their business acumen and entrepreneurial skills.

1.3.3. The British Raj and the Rise of Modern Entrepreneurship: The British Raj, which lasted from 1858 to 1947, had a significant impact on entrepreneurship

in India. The colonial rulers introduced new technologies and industries, which created new opportunities for entrepreneurs. During this period, entrepreneurs such as Jamsetji Tata and G.D. Birla established some of the country's largest industrial conglomerates, laying the foundation for modern entrepreneurship in India.

1.3.4. Post-Independence and the License Raj: After India gained independence in 1947, the government adopted a socialist economic model, which led to the creation of the License Raj. Under this system, entrepreneurs had to obtain licenses from the government to start and operate businesses. This system stifled entrepreneurship and led to a decline in economic growth. However, a few entrepreneurs such as Dhirubhai Ambani and Narayana Murthy managed to succeed in this era by navigating the complex regulatory environment and building successful businesses.

1.3.5. Economic Liberalization and the Rise of New Entrepreneurs: In 1991, the Indian government introduced a series of economic reforms that liberalized the economy and opened it up to foreign investment. This led to a surge in entrepreneurship, as entrepreneurs had more opportunities to start and grow businesses. The IT industry was one of the biggest beneficiaries of these reforms, with entrepreneurs such as Nandan Nilekani, Azim Premji, and Vijay Shekhar Sharma building successful businesses in this sector.

1.3.6. The Role of Entrepreneurship in India: Today, entrepreneurship is thriving in India, with the country being home to some of the most successful startups globally. The rise of internet and mobile technology has created new opportunities for entrepreneurs, particularly in sectors such as e-commerce, fintech, and edtech. Entrepreneurs such as Sachin Bansal, Bhavish Aggarwal, and

Byju Raveendran have built successful businesses in these sectors, leveraging technology to disrupt established industries.

1.3.7. Challenges Faced by Entrepreneurs in India: Entrepreneurship in India is not without its challenges. Access to capital is one of the biggest challenges faced by entrepreneurs, particularly those from disadvantaged backgrounds. The country's regulatory environment can also be complex and time-consuming, making it difficult for entrepreneurs to start and grow businesses. In addition, infrastructure and logistical challenges can make it difficult for entrepreneurs to operate in certain sectors.

1.3.8. The Future of Entrepreneurship in India: The future of entrepreneurship in India is bright, with the country poised to become one of the world's leading economies. The government has launched several initiatives to support entrepreneurship, such as Startup India and Atmanirbhar Bharat, which provide funding and support to startups. The rise of new technologies such as blockchain and artificial intelligence is likely to create new opportunities for entrepreneurs, particularly in sectors such as healthcare and agriculture.

1.4. Evolution of Entrepreneurship- Global Perspective

Entrepreneurship has been a crucial part of human history for thousands of years. From the earliest civilizations to the modern era, entrepreneurs have played a pivotal role in shaping the world we live in today. Hereinafter explores the evolution of entrepreneurship in the world, from its earliest roots to the present day.

The Origins of Entrepreneurship can be traced back to the earliest civilizations, where people engaged in trade and commerce to meet their basic needs. In ancient

times, entrepreneurs played a critical role in the exchange of goods and services between different regions, laying the foundation for the modern global economy. The Silk Road, for example, was a vast network of trade routes that connected China with Europe, enabling entrepreneurs to transport goods across vast distances and build fortunes in the process.

1.4.1. The Industrial Revolution: The Industrial Revolution marked a turning point in the evolution of entrepreneurship. With the rise of factories and mass production, entrepreneurs had new opportunities to create wealth and build businesses. Many of the iconic entrepreneurs of the era, such as Andrew Carnegie and John D. Rockefeller, built vast empires in industries such as steel and oil. The Industrial Revolution also saw the emergence of new technologies that made it easier for entrepreneurs to start and grow businesses, such as the telegraph and steam engine.

1.4.2. The Rise of Modern Entrepreneurship: The 20th century saw the rise of modern entrepreneurship, as entrepreneurs began to focus on innovation and disruption rather than simply building wealth. Innovators such as Henry Ford and Thomas Edison revolutionized the world with their inventions, paving the way for the technology-driven economy we have today. The advent of the internet and digital technologies in the late 20th century created new opportunities for entrepreneurs to build businesses and disrupt established industries, leading to the rise of tech giants such as Amazon, Google, and Facebook.

1.4.3. The Role of Entrepreneurship in Society: Entrepreneurship has always played a critical role in driving economic growth and creating jobs. In developing countries, entrepreneurs often provide essential goods and services to communities that lack access to them. In developed economies, entrepreneurs are

the driving force behind innovation and disruption, conceptualizing new goods and services that better people's lives and boost economic growth. The success of entrepreneurship also leads to the creation of new industries and the expansion of existing ones, leading to increased competition and better outcomes for consumers.

1.4.4. Challenges Faced by Entrepreneurs: Entrepreneurship is not without its challenges, however. Starting and growing a business requires a significant amount of capital, which can be difficult to obtain, particularly for entrepreneurs from disadvantaged backgrounds. Entrepreneurs also face legal and regulatory hurdles, such as obtaining licenses and complying with tax and employment laws. In addition, entrepreneurs must contend with intense competition, changing consumer preferences, and rapidly evolving technologies that can make their business models obsolete overnight.

1.4.5. The Future of Entrepreneurship: The future of entrepreneurship is likely to be shaped by emerging technologies such as artificial intelligence, blockchain, and the internet of things. These technologies have the potential to transform industries and create new business models, leading to new opportunities for entrepreneurs to innovate and disrupt. In addition, the growing emphasis on sustainability and social responsibility is likely to shape the way entrepreneurs operate, as consumers increasingly demand environmentally friendly and socially responsible products and services.

Entrepreneurship has played a critical role in shaping the world we live in today. From the earliest civilizations to the modern era, entrepreneurs have been at the forefront of innovation and disruption, creating new industries and driving economic growth. While entrepreneurship is not without its challenges, the

opportunities it presents are immense, and the potential for entrepreneurs to change the world is greater than ever before. As we look to the future, we can expect to see continued innovation and disruption driven by entrepreneurs, as they seek to create a better world for us all.

1.4.6. Entrepreneurship and Innovation

Joseph A. Schumpeter, who is considered father of the study of entrepreneurship, was an Austrian economist who is known for his theories on entrepreneurship and economic growth. Schumpeter's view on entrepreneurship was unique, as he saw entrepreneurs as agents of change who could drive economic growth through their innovations. He also introduced the concept of creative destruction, which refers to the process by which new innovations replace existing industries and create new opportunities for growth.

Schumpeter's View on Entrepreneurship: Schumpeter saw entrepreneurs as individuals who could bring about significant economic change through their innovations. He believed that entrepreneurs were essential to economic growth, as they could identify and exploit opportunities that others had overlooked. Schumpeter's view on entrepreneurship was different from the prevailing view of his time, which saw entrepreneurs as risk-takers who simply provided capital for new ventures.

According to Schumpeter, entrepreneurs are innovators who introduce new products, services, and processes that disrupt existing markets. They are not content with maintaining the status quo, but instead seek out new opportunities for growth. Schumpeter believed that entrepreneurs were essential to economic growth, as their

innovations could create new markets and industries, leading to increased competition and economic expansion.

1.4.7. Schumpeter's Concept of Creative Destruction: One of Schumpeter's most important contributions to economics was his concept of creative destruction. This concept refers to the process by which new innovations replace existing industries, leading to the creation of new opportunities for growth. Schumpeter believed that creative destruction was a key driver of economic growth, as it allowed new technologies and industries to emerge and thrive.

Schumpeter saw creative destruction as a natural part of the economic process. He believed that new innovations would always emerge to replace older industries, leading to a constant cycle of growth and change. According to Schumpeter, entrepreneurs were essential to this process, as they were the ones who introduced new innovations that disrupted existing industries and created new opportunities for growth.

1.4.8. Implications of Schumpeter's View on Entrepreneurship and Creative Destruction: Schumpeter's view on entrepreneurship and creative destruction has significant implications for how we think about economic growth and innovation. His theories suggest that innovation and change are essential to economic growth, and that entrepreneurs play a crucial role in driving this process forward.

Schumpeter's view on entrepreneurship also challenges traditional views of entrepreneurship as purely a matter of risk-taking and investment. Instead, Schumpeter saw entrepreneurs as innovators who could create new markets and industries through their innovations. This suggests that entrepreneurship is not just

about starting a new business, but about driving innovation and change in existing industries as well.

The concept of creative destruction also has important implications for how we think about economic development. Schumpeter's theory suggests that economic growth is not just about increasing output and productivity, but about creating new opportunities for growth through innovation and change. This suggests that policies that promote innovation and entrepreneurship, such as tax incentives and funding for research and development, may be more effective at driving economic growth than traditional policies aimed at increasing output and productivity.

While Schumpeter's view on entrepreneurship and creative destruction has been influential in the field of economics, it has also been subject to critiques. One critique is that Schumpeter's theory focuses too much on the role of entrepreneurs and innovation, and not enough on the broader economic and social factors that drive economic growth.

Another critique is that Schumpeter's theory may be overly optimistic about the benefits of creative destruction. While new innovations may create new opportunities for growth, they may also lead to job losses and economic dislocation in the short term. This suggests that policies aimed at promoting entrepreneurship and innovation may need to be accompanied by policies aimed at mitigating the negative effects of creative destruction.

1.5. Policy Framework in India and other Developments

1.5.1. Historical perspective

It is vital to comprehend how small businesses took to non-traditional areas for providing solutions that shaped a big hub of Startups. The growth of business of 70s or till 1980, was recognized for commodities or areas like, Cotton, Jute, Tea, Spices, Paints, Elevators, Pharmaceutical. Slowly Indian comoanies emerged as a powerhouse of capabilities in the areas of Software & Information Technology, Telecom, Internet, Digitalization etc. that led growth of Startups in diversified areas from Products to Services thereby changing the image of India worldwide as also supporting Indian economy.

The pace of development gradually reached Cities like Delhi-NCR, Mumbai and Bangalore etc. in India and in some of the cities of other countries as well.

The decade of 1980s in India was the Turning point when Computer Industry was introduced on national map where National Association of Software and Service Companies (NASSCOM) for Information Technology (IT) and Business Process Outsourcing (BPO) industry shaped the growth of digital industry in India.

When the Sub-prime loan crisis caused the recession of 2008, it had a major impact on IT professionals in India and other economies worlwide too. Alternatives were sought and popular Startups like, Policy Bazar, Zomato, Axio Biosolutions, Lemnisk, etc. emerged in India. Globally Startups like WhatsApp, Venmo, Instagram, Uber, Groupon, etc flourished.

Lately, with the government's initiative of ecosystem building through efforts of DPIIT, Startups are exploring newer avenues by leveraging latest technology and extensive talent pools to newer sectors like, Traveltech & Hospitality, Enterprise, FinTech, Healthtech, Edtech, Retail Tech, HRTech, SCM, Industrial &

Manufacturing, Foodtech, Mobility, AgriTech, besides others.

It is heartening to see that Startups are now tackling important sectors of Indian economy, like Agriculture, with many Startups having entered the precision farming arena providing solutions to increase the yield by optimizing irrigation and application of fertilizer & pesticide, farm-related intelligence, expertise, and technology etc. Startups like "Udaan" with its presence into e-commerce could bring together Stakeholders, viz. Wholesalers, Distributors, Producers, and Retailers on a single platform and could help a great deal in accurate prediction of demand, in right supplier sourcing, for working capital needs, digitalizing local merchants to extend benefits with superior last-mile delivery through local merchants, potentially disrupting the landscape.

Startups venturing into knowledge-driven fields are supporting the economy and by supporting such Startups, India can transform into a heavy-weight and can achieve the dream of an ambitious GDP of US $5 Trillion by 2025.

1.5.2. Policy Frameworks for the Startup Mission - 2016

With the Policy Makers' intent of ecosystem creation which include the ease of doing business, promoting foreign investment, Aatma Nirbhar Bharat and Make in India concepts for export promotion, import substitution, promotion of skill development and job creation, and entrepreneurship several initiatives have been taken. Hon'ble Prime Minister Narendra Modi launched an ambitious program called Startup India Stand-up India to revolutionize and accelerate the Startups in the country, which is seeing a lot of progress on this front. Since then, the Government has taken a number of new policy initiatives and reforms, like tax holidays, angel tax abrogation, Startup-specific funds, easy market listing and several other schemes which have been

strengthening Startups Movement in India.

***"I see Startups, technology and innovation as exciting and effective instruments for India's* transformation." – Hon'ble Prime Minister of India, Shri Narendra Modi**

1.6. Startup India Mission

With historic speech of 15th August 2015, Shri Narendra Modi ji, Honourable PM, announced a new vision for the Indian economy to tap the entrepreneurial potential and to provide conducive environment of entrepreneurship by launching a mega policy framework 'Startup India' on 16th January 2016 to promote *'The Mission Startups'* with an *'Action Plan - Startup India Action Plan*' to build a strong ecosystem for nurturing Innovation, and catalysing Startup culture in India.

1.6.1. Startup Action Plan

Startup India Action Plan is an attempt towards addressing various aspects of emergence of Startups & its Ecosystem in the country, moving from metros to small towns and in diverse sectors.

1.6.2. Action Plan with 19 Action Points - 3 Key Pillars

The extensive framework established through 19 Points Action Plan has been prepared for addressing issues and challenge through Simplification and Handholding; Funding Support and Incentives; and Industry - Academia Partnership and Incubation.

1.6.3. Startup India Recognition

The Recognition mechanism similar to MSME recognition has been established in DPIIT to give impetus to Startup Ecosystem.

1.6.4. India's definition of a Startup: Gradual Widening

The Startups are normally ventures which aim to create value by creative destruction of existing space through some innovative product, thought or process and to start with are Micro and Small Enterprises which may not have a track record. The definition of a Startup was reviewed by the government considering problems faced by Startups and SMEs and DPIIT, vide its notifications dated 10th March 2016, 23rd May 2017 and 19th February 2019 gradually widened the scope and definition of Startups.

1.6.5. The definition, as last amended in 2019, stipulate the following eligibility to be a Startup:

a. A Private Limited Company or registered as a Partnership Firm or a Limited Liability Partnership set up as per respective statute of India;
b. In operation up to 10 Years from the date of its incorporation and not exceeding turnover of Rs. 100 Cr. and is or has been working for technology driven development, innovation or commercialization of new products or processes**,** alternatively a *business model which is scalable, can generate employment and create wealth*.

However, no such entity will be considered as Startup if formed by splitting up or reconstruction of an existing business.

1.6.6. Mechanism of Recognition: Self – Certification facility

Once recognized by DPIIT in accordance to Startup India stipulations, the Startups enjoy plenty of benefits, ranging from Self-Certification, access to public procurement relaxations, to tax incentives after meeting laid down conditions.

Recently, about 40 regulatory reforms and amendments have been made, thereby enabling the entrepreneurs to take up new Ventures confident of getting easier access to resources and benefits with ease of doing Business.

1.6.7. Table 1.1

Highlights of successive Central Budgets of GoI from 2014-15 to 2021-22 creating multi-dimensional avenues for Startups & SMEs

Budgetry Reforms

Budget Year	**Highlights of Reforms**
2014-15	• Fund of Fund (FoF) of Rs 10,000 crore to boost capital flow to Startups and SMEs. • Technology Development Fund of Rs. 100 Cr;
2015-16	• Foundation for Self-Employment and Talent Utilization (SETU) as Techno- financial, Incubation and Facilitation Programme to support Startups. • Setting aside Rs 1,000-crore Startup Fund in National Institution for Transforming India (NITI) Aayog for implementation of SETU. • Establishing Atal Innovation Mission (AIM) within the NITI with corpus of Rs.150 Cr. to provide Innovation Promotion Platform.Micro Units Development Refinance Agency (MUDRA) Bank with a corpus of Rs.20,000 Cr. for refinancing all Micro Finance Institutions and Credit Guarantee corpus of Rs.3,000 Cr. • Strengthening the EBiz Portal to make starting a business easy in India.

2016-17

- Rs 500 Cr. fund for Women and SC/ST Entrepreneurs.
- Change in Duty Rates was announced to Boost Manufacturing.
- 100 per cent tax exemption (Tax Holiday) for 3 years (except MAT).
- Presumptive Tax Scheme for Small Businesses for Turnover up to Rs 2 crore.
- EPF Employer contribution of 8.33% for all new employees for first 3 years;
- 80GG deduction increased up to Rs 60,000.
- Set up a fund to raise Rs 2,500 crore annually for four years to finance Startups.

2017-18

- Corporate Income Tax reduced to 25 percent.
- Relief under Section 80-IAC and 44AD of the Income-tax Act.
- Increasing the threshold limit for maintenance of books of accounts for individuals and professionals and tax audit.

2018-19

- To promote Artificial Intelligence, five lakh Wi-Fi hotspots in rural areas, hybrid instruments to attract venture capital investment.
- Raised ceiling for 25% Corporate Tax bracket to Rs 250 Cr. Annual Turnover;

2019-20

- 80 new Livelihood and 20 Technology Incubators.
- Digitization of business process - sales, customer experience, payments, etc.

2020-21

- Startups as Enablers of Value Creation for India’s Manufacturing Businesses.

2021-22

- Turnover threshold for audit to 5 Cr;
- No waiting time for changing status from One-Person Company (OPC) to a Public Company or a Private Company.
- Seed Fund disbursement by Incubators to eligible Startup up to ₹20 Lakhs for validation of Proof of Concept/prototype development/product trials and up to Rs. 50 Lakhs of investment for market entry, scaling up besides Tax benefits.

Source: compiled by the Author from government websites

1.6.8. Easing Public Procurement

Norms of public procurement has been smoothened to enable recognized Startups to participate in public tenders, even without Earnest Money Deposits (EMD)/ Bid Security and with relaxed criteria for prior Turnover and Experience, however on fulfilling quality and technical specifications, thereby opportunity to compete with big firms.

1.6.9. Central Public Procurement Portal (CPPP)

A single point access has been structured with registration at *eprocure.gov.in and etenders.gov.in* to become Preferred Bidders in Public Orders and getting all information on procurements made by various government institutions and to avail exemptions. This is expected to provide level playing ground to Startups.

1.6.10. GeM: A Mechanism to promote Startups

Government e Marketplace (GeM), which can be accessed even from remote locations by Startups and other small ventures and is accelerating entrepreneurial development. GeM, with its enhanced accessibility for venders and buyers could be better utilized by Stakeholders.

1.6.11. Framework for Participation of Startups in Procurement

DPIIT has been endeavoring continuously to improve Public Procurement Policy for Startups, in particular tendering processes and laid down conditions with regard to payments delays, for smaller ventures to adopt the best practices to work with Startups.

1.6.12. Intellectual Property Rights Support

Innovations require prompt Patenting for entrepreneurs to safeguard their ideas. A list of patent and trademark facilitators that help in registration and obtaining necessary credential besides enabling an online platform-based solution has been prepared and being made available to Startups. In addition to legal support & Intellectual Property Right (IPR) facilitation benefits, Startups are also sought to be favoured by expedited examination of patent applications to reduce time taken in granting patents and are provided with 80% rebate in filing of Patents vis-a-vis other companies, bringing down the cost from Rs. 8,000 to Rs. 1,600. Trademarks filing fee has been reduced by 50% thereby cost savings from Rs. 10,000 to Rs. 5,000.

1.6.13. Tax Incentives

Incentive has been given to Startups meeting laid down criteria, thereby reducing the tax burdens on them, which has been great support to Startups, especially in the early years & stages.

1.6.14. Fast Track Exit for Startups

The Insolvency and Bankruptcy Code 2016 (Code) has facilitated the exit process of Startups which met some laid down conditions for resolution of insolvency, liquidation of corporate entities or firms within a definite timeline and thus has created a conducive environment of business and easier exit.

1.6.15. The Regulatory Reforms Journey

The nodal agency DPIIT, to understand the challenges of the Stakeholders involved including Startups, Investors, Funding Agencies & Incubators, keeps interacting regularly with them and that has helped to make series of need- based reforms, close to 40, strengthening the Startup Ecosystem.

1.6.16. Fund of Funds for Startups (FFS)

A Fund of Funds for access to risk capital for Startups was set up by DPIIT in 2016 with a Corpus of Rs. 10,000 Cr., from 14 to 15th Finance Commission period to provide funding support for development and growth of innovation driven enterprises. The mechanism of FFS does not invest directly in Startups, rather participates in the Capital of Securities and Exchange Board of India (SEBI)-registered Category-1 and Category-2 Alternate Investment Funds (AIFs). The FFS is managed by SIDBI and by 28th February, 2023 could commit around Rs. 8590 Cr. to AIFs which have been able finance to 818 Startups to tune of Rs 14,828 crores.

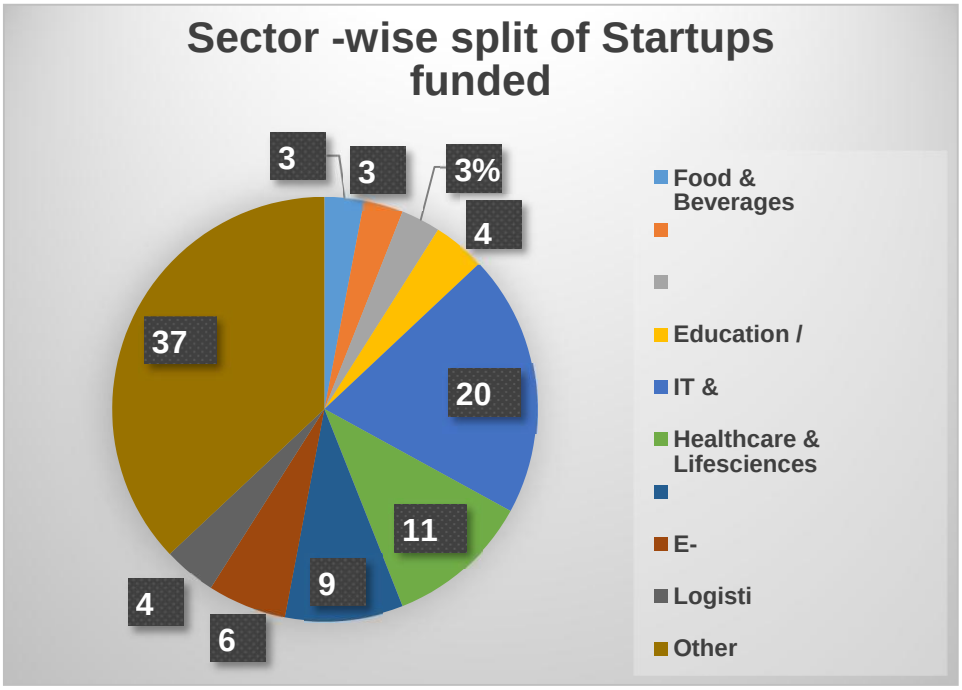

Figure 1.1 Sector – wise Startups Funded under FFS (Source: DPIIT Website and other web information)

1.6.17 Startup India Hub:

Startup India hub and its associated Mobile Application is one-stop digital platform, which will be a friend, mentor, and guide of entrepreneurs during their startup journey. Launched in April 2016, it is also designed to be a virtual incubator to Startups with knowledge exchange, government schemes, networking opportunities within the startup community and access to resources for the entire Startup Ecosystem. With more than 6.2 lakh Users upto 28th February, 2023, the Hub, facilitates Entrepreneurs to connect to Incubators, Accelerators for scaling- up, to explore within a pool of Investors

for funding support, and connect to Government entities for availing startup friendly benefits.

1.6.18 Startup India: Grand Challenges

The Grand Challenge mechanism was evolved by Startup India to promote spirit of competitiveness and enabling engagement of Startups with different Stakeholders after interacting with a number of organizations in government & private sectors, and since 2017, 11 grand challenges have been coordinated by DPIIT in the fields of Ease of Doing Business, MNRE Startup, Ayushman Bharat PMJAY Startup, Agriculture, Accelerate with NSG, Startup India Single-Use Plastics, Animal Husbandry Startup, Textile, Swachh Bharat, Covid-19 Inter- ministerial Task Force & Innovation Challenges etc. with a provision of incentives to winners.

1.6.19 International Collaborations and Startup Participation

The partnerships and collaborations of Indian startup ecosystem with Partner country Startup ecosystem have been facilitating partnerships, exchange of knowledge and enabling soft- landing & fund support for Startups from partner countries.

1.6.20 Empowering the States

DPIIT has been taking measures to engage and encourage States & UTs for aiding them for development of local Startup Ecosystems to institutionalize their system and come up with Policies on Startups and strengthen India's culture of entrepreneurship and thereby help in making India a Startup Nation by:

- Creating infrastructure & building an Ecosystem that promotes entrepreneurship.
- Encouraging States & UTs to launch Startup Policies to create an enabling environment that facilitates Startups and Entrepreneurs besides economic growth & employment.
- Increasing access to Seed Capital to Startups.
- Having introduced Startup Ranking in April 2017 for grading on select parameters, like, Best Performer, Aspiring Leaders, Top Performer, Engaging States, Leaders and Beginners with in-built mechanism facilitating learning, sharing of best practices and replication.
- Startup Yatra introduced in 2017 was to look for new ideas and awareness on emerging ecosystem to identify and promote innovation and entrepreneurship in small cities besides tapping local talents with mentorship & incubation options and certain incentives comprising of services to cash prizes.
- National Startup Awards (NSA) aimed at recognizing & rewarding outstanding Startups (Rs. 5 Lac each from 38 categories) and Ecosystem Enablers (Rs. 15 Lacs each) bringing desired impact with innovative & scalable business models and products/services, employment & social impact and to be Role Model for others.

Startup India initiatives have driven the Ecosystem and growth of entrepreneurship from metros to smaller cities, like, Shillong, Imphal, Srinagar and Panjim besides metro cities also increasing in numbers rapidly.

1.6.21 Highlights of Government Schemes and support for Startups in India

Table 1.2 Government Schemes

Timeline	Government Programs - Aims, Funding & other support
1991	***Software Technology Park (STP) Scheme***
	STP Scheme is an export-oriented Scheme for development, export of computer software and includes export of professional services using communication links or media and integrates the government concept of "100% Export Oriented Units" (EOU), "Export Processing Zones" (EPZ), and concept of Science Parks or Technology Parks. Domestic Tariff Area (DTA) shall be permissible up to 50% of export in value terms and STP gives total depreciation on capital goods over a period of 5 years.
2000	***Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGSS)***
	Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) was set up by GoI to provide business loans to micro-level businesses, small-scale industries, and Startups in manufacturing with zero collateral. Credit Guarantee Fund Scheme (CGSS) with SIDBI in a ratio of 4:1 provides a maximum amount of up to INR 200 lakhs for boosting new enterprises as well as rehabilitating the existing ones. 85% for micro enterprises for credit up to Rs 5 lakh; 50% for per MSE for credit from Rs 10 lakh to Rs 100 lakh for retail trade activity; 80% for (i) MSE operated and/or owned by women; and (ii) North East Region (NER) up to Rs 50 lakh.

2003	***Single Point Registration Scheme (SPRS)***
	With a view to increase the share of purchases from the small-scale sector, Government Stores Purchase Programme was launched in 1955-56. NSIC registers Micro & small Enterprises (MSEs) under Single Point Registration scheme (SPRS) for participation in Government Purchases. Eligible MSME units are provided with Udyog Aadhar Registration Certificate and in this mechanism, Central Govt. Ministries /Departments / PSUs have been advised to take at least 25% of the total purchases from MSMEs, of which 3% is reserved for Women MSMEs.
2008	***Prime Minister's Employment Generation Programme (PMEGP)***
	Credit-linked subsidy program aimed at generating self-employment opportunities to establish business and creating new jobs by bringing together widely dispersed traditional artisans & unemployed youths for sustainable employment and increasing their wage- earning capacity besides promoting entrepreneurship. Implemented by KVIC at the national level and through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centers (DICs) and banks at the State level. Project Cost admissible under manufacturing sector is Rs.25 lakh and under business/service sector is Rs.10 lakh.
2009	***Invest India***
	Creation of an National Investment Promotion and Facilitation Agency under DPIIT, as first point of reference for investors in India to tap investment landscape and to focus on sector specific investors, targeting and development of new partnerships and enable sustainable investments in India besides building

	capacity and access to global best practices in investment targeting in conjunction with States and facilitating Investors under 'Make in India' initiative to establish, operate, and expand their businesses in India.
2009	***IndiaStack and UiD***
	Supporting Aadhaar – Universal Identification, digital landscape for cashless, paperless, consent-based scalable transactions and processes.
2012	***Modified Special Incentive Package Scheme (M-SIPS)***
	M-SIPS, a special incentive package approved by GoI to promote large-scale manufacturing in the Electronic System Design and Manufacturing (ESDM) sector, government provides a subsidy of 20% on capital investments in special economic zones (SEZs) and 25% on capital investments in non-SEZs. It also provides re-imbursement of CVD/Excise on capital equipment for non-SEZ units, re-imbursement of central taxes and duties provided for high technology and high capital investment units.
2012	***Venture Capital Assistance (VCA) Scheme***
	Small Farmer's Agri-Business Consortium (SFAC) has launched the VCA scheme for welfare of farmer-entrepreneurs and to develop their agri-business, intends to provide assistance in the form of term loans up to 26% (40% for hilly regions) of the Promoter's Equity to Farmers and maximum of INR 50 lakh to meet the capital requirements.
2013	***SEBI's Alternative Investment Fund (AIF) Regulations***
	Mechanism for Angel Investors to facilitate funding to Ventures at early stages.

2013	***eBiz Portal***
	Developed by Infosys in a public-private partnership model to transform and develop a conducive business environment in the country, as the first electronic Government-to- Business (G2B) portal, launching 29 Services in 5 States, viz., Andhra Pradesh, Delhi, Haryana, Maharashtra, and Tamil Nadu and to cover over 200 G2B services as a one-stop shop for delivery of convenient and efficient services. Will also address needs of investors and businesses, on PPP basis, from inception through entire life cycle of the business.
2013	***Multiplier Grants Scheme (MGS)***
	Department of Electronics and Information Technology (DeitY) started the MGS to encourage collaborative Research & Development (R&D) between Industry and Academics/Institutions for the development of products and packages. Under the scheme, if the industry supports the R&D of products that can be commercialized at the institutional level, the government shall provide financial support which will be up to twice the amount provided by Industry. The quantum of government grants is maximum amount of INR 2 crores per project of less than 2 years and INR 4 crores for a duration of 3 years for industry associations.
2014	***Make in India***
	Evolving as "global design and manufacturing" destination.
2014	***Support for International Patent Protection in Electronics and Information Technology (SIP-EIT)***

	Launched by Deptt. of Electronics & IT to provide financial support to MSMEs & Technology Startups for International Patent filing; also, reimbursement up to maximum of Rs. 15 lakhs per invention or 50% of charge incurred in filing & processing a patent application, whichever is lesser. The SEP-EIT scheme can be applied at any stage of international patent filing by the applicant.
2015	***Digital India***
	Enabling "digitally empowered society and knowledge economy" by expanding e – governance.
2015	***Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE)***
	Implemented by MSME to create new jobs in traditional & Agri-based industries for improving social & economic lives of rural India by: • 80 Livelihood Business Incubators (LBI) to create jobs at local level in rural areas; • 20 Technology Business Incubators (TBI) to train 75000 skilled entrepreneurs in agro- rural industries; • Livelihood Incubation Centers (LIC), PPP model with institutions, like NSIC, KVIC, Coir Board, agency of GoI/State government. 'Fund of Funds', utilized by SIDBI to contribute to Angel/Venture Capital Funds (Alternative Investment Fund) for investing in Startups/Early-stage enterprises with a corpus of Rs. 310 Cr.
2015	***Micro Units Development Refinance Agency (MUDRA) Bank***

	INR 10,000 crores by the Government to promote Startup culture by supporting small businesses in rural India by enhancing credit facility to Startup or non-farm MSMEs boosting growth of small business: (a) Shishu: - up to Rs. 50,000/- in their initial stage. (b) Kishore: - Rs. 50,000/- to Rs. 5 Lakhs aiming to expand. & (c) Tarun: - Rs. 5 Lakhs to Rs. 10 Lakhs in their growth stage. Assets are created through bank's finance and no collateral security.
2015	***Skill India Initiative***
	A vocational training and certification program aimed at skill development services & entrepreneurship support to 400 million youth & women skills and capacity building opportunity not only for existing jobs but likely to be created, new skills and innovative thinking for the jobs to be done for a better livelihood by 2022.
2015	***Atal Innovation Mission (AIM)***

	AIM set up by NITI Aayog with an objective to develop new programmes and policies to create & encourage innovation and entrepreneurship ecosystem of the country across schools, educational organizations, research institutes and industries including MSMEs and thereby a culture of innovation, research and development. By 2019-20, fund of INR 1000 Cr since provided for AIM. Major initiatives taken by AIM to date are: a. Atal Tinkering Labs to facilitate problem-solving mindset in Schools. b. Atal Incubation Centres to nurture Startups in Academic Institutions, Private Sector for possible outcomes-based scale up and monitoring to existing incubator model. c. Atal New India Challenges - Fostering product and service innovations with national socio-economic impact and aligning them to the needs of various Sectors/Ministries/Industry. d. Atal Community Innovation Centre- To stimulate community centric innovation and ideas in unserved /underserved regions including Tier 2 and Tier 3 cities and rural India e. ARISE-To stimulate Innovation and Research in the MSME industry. f. Mentors of Change Mentor India Network – to support initiatives of the mission. Building Strategic Innovation Partnerships with Public
2016	***Loan for Roof Top Solar Pv Power Projects***
	To build reliance on non-conventional sources of power, GoI decided to set up 40,000 MWp of Grid-Interactive Rooftop Solar PV Plants in the next five years in residential, commercial, industrial, and institutional sectors and shall range from 1 kWp to 500 kWp in terms of capacity, also provides a subsidy of 15% to

	the associations or individual companies, making the scheme. World Bank extended $625 million to the State Bank of India (SBI) for this program in 2016, $357 million in 2017 in credit facilities for Indian solar.
2016	***Startup India Initiative***
	Landmark initiative to disrupt the Startup culture and ecosystem for Innovation and Entrepreneurship to increase wealth and employability.
2016	***Startup India Online Portal (17.07.21)***
	More than 54K recognized Startups, close to 400 tax exemptions, and 2600 Startups were funded by SIDBI FFS.
2016	***Atal Incubation Centres (AICs) under Atal Innovation Mission (AIM):*** INR 1.4 billion funded to 31 AICs.
.2016	***SIDBI "Fund of Funds for Startups (FFS)"***
	Routed through Alternate Investment Funds, INR 100 billion for investing in Startups. Dunzo, CureFit, FreshToHome, Jumbotail, Unacademy, Uniphore, Vedantu, Vogo, Zostel, etc., were some of the notable Startups funded through FFS while Chiratae Ventures, India Quotient, Blume Ventures, India Angel Network Fund, Kalaari Capital, Fireside Ventures, etc. are some of the top Startup Funds (AIFs) under FFS.
2016	***Bharat Interface for Money (BHIM) and United Payment Interface***
	A Mobile payment app, developed by the National Payments Corporation on the United Payments Interface, to allow seamless and verified payments.

2016	***Stand Up India Scheme***
	Stand Up India Scheme facilitate bank loans between 10 lakh and 1 crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST), borrower and at least one Women per bank branch for setting up a Greenfield Enterprise and relief to Startups by keeping angel test out of purview of Startups registered with DPIIT.
2017	***NewGen Innovation and Entrepreneurship Development Centre (NewGen IEDC)***
	Took up by Department of Science and Technology and implemented by Entrepreneurship Development Institute of India (EDII), Ahmedabad, to inculcate spirit of innovation & entrepreneurship among Science & Tech. users and to support & encourage them in Startup creation with a mission to promote knowledge based and technology-driven Startups by harnessing young minds and their innovation potential in an academic environment to address emerging technology-driven challenges.
2017	***Dairy Processing and Infrastructure Development Fund (DIDF)***
	DIDF, a fund set up under NABARD with corpus of INR 8004 crore for sustained benefit of farmers. In this mechanism, Milk Unions, Multi-State Milk Cooperatives, State Dairy Federations, Milk Producing Companies, and NDDB Subsidiaries meeting the eligibility criteria under the project can borrow loan - 80% (maximum rate), with end borrower's contribution at 20% (minimum rate) from NABARD and Borrowers shall get at an interest rate of 6.5% per annum on loan with a repayment period of years. The respective State government will be the guarantor of loan repayment. Besides, if the borrower is not able to contribute his or her share in the scheme, the state government shall step in.

2019	***Technology Incubation and Development of Entrepreneurs (TIDE)***
	It's a MeitY-sponsored program to promote tech entrepreneurship through incubators engaged in supporting ICT Startups using emerging technologies (IoT, AI, blockchain).
2021	***Startup India Seed Fund Scheme (SISFS)***
	Corpus of INR 1,000 crores to help Startups at early stage by supporting ideas of aspiring entrepreneurs with financial assistance for proof of concept, prototype development, product trials, market entry, and commercialization etc. to support around 3,600 entrepreneurs through 300 incubators.

Source: startuptalky.com, website data and DPIIT website

These schemes provide eligible Startups financial benefits, Income Tax benefits, Registration benefits, availing Government Tenders and use of networking opportunities.

1.6.22 Phases of Growth: DPIIT created Indian startup ecosystem has got to a flying start. However, the extent of maturity would be influenced, in part, by successful growth of Startups during their life cycle, moving to different stages and the increase in Startup numbers. For success or otherwise of Startups at any stage of their life cycle, corresponding preparation of policy framework and strengthening of the overall ecosystem will have a bearing on journey of Startups. Emergence of Private Sector entities gaining household recognition and significant contributions of Public Sectors ever since post- independence with huge investments could shape the socio-economic progress of the nation. The phase of growth gaining momentum from 1980s with series of reforms in successive decades, influence of Silicon Valley, made excellent bedrock of the Startup Ecosystem, which was further enabled by Startup India Standup India, accelerating Startup Revolution in India with number of DPIIT recognized Startups nearing 95,000. The growth prospects of Startups needs attention of stakeholders at every phase of growth of Startups as discussed below:

a. ***Startup Lifecycle***

b. ***Startup ecosystem and Stakeholders***

c. ***An overview of Indian Scenario***

1.6.23 Startup Life Cycle:

Startups are important constituents of economy worldwide, and the enablers should understand the **Life Cycle of Startups so as** to sustain their growth from Ideation to Maturity stage or Exit stage, which generally pass through the following stages of

Startups:

1.6.24 Concept or Idea Stage (Ideation): Starts Startup journey begins with the right idea, with Problem identification having business potential, an Opportunity and possible Mentorship support to make it work. Fund is not required at this stage or if required, may be self-financed. Things like deciding on name of Products, Co-Founders team building etc, thus, it starts with the right Idea.

1.6.25 Pre – seed or Validation Stage: "Concept or Prototype" is prepared and is pitched to sample audience to get feedback on product or services to be offered. The concept/prototype is then got validated with Support of Incubators and Mentors. Here the support of Incubators and Mentors matters in numerous ways- from identifying Customers, building Minimum Viable Product to Product-Market Fit. This stage may be financed by self, prototype development, government grants or money from investors.

1.6.26 Seed or Early Traction Stage: If and when demand for product is established based on Customer feedback and Mentors' insight, the rate of customer retention helps in early traction of the innovative product/Service launched. In this stage of growth, the Startup acquires more customers by attracting Investors and exploring various means of funding from the market. Sources such as crowd funding, seed grants from government and such other funds are obtained. These could be used for Market Research to build Product and creating need-based Team working on other details.

1.6.27 Growth or Scaling Stage: Growth or Scaling Stage passes through different stages of Funding and Growth, where Startups establish the business with additional funding options and expansions, details of different stages are as under:

1.6.28 Series A Funding: After acquisitioning customers, This stage of

funding is when, generally, entrepreneurs go for raising fund for product optimization, identifying markets including new markets for growth and exploring opportunity for expanding either the business, the market or the geography and assessing Partnership options as well.

Series B Funding: After having reached a level of success, Startups look for upscaling on the strength of scaling fund from Institutional Investors. Business growth is further developed with talent search, team building, market research, sales and advertising efforts, thereby creating essential infrastructure and due diligence for possible expansion abroad.

1.6.29 Maturity, IPO, M&A Stage or Exit: At this stage a successful Startups decides to reach to a place at which it may plan either an outright sale of entity, or releasing an IPO, or consider mergers and acquisitions or even an exit.

1.6.30 Series C Funding: This is considered the final stage of funding of the entity at the Startup level and the entrepreneur may plan for scaling in other markets, including abroad, and acquisitions to gain market share by acquiring other entities in the same market space to gain market share. This often requires expansion in team size to cater to the growing requirements.

1.6.31 Expanding Overseas: After C Funding stage, some entrepreneurs, depending on their sector, may decide to go to new markets, issue Public Offers or sell entire business. Banks, IPO Investor, Pvt. Equity Funds play major role in funding such large deals.

1.6.32 Exit: At the exit stage, Founders, Investors, Promoters etc. seek either partial or full sale of entity. Having reached a level of success, the entrepreneurs seeking Exit go for legal due diligence for either acquisitions or mergers or even sale of all or part of their stake to get back capital, usually for starting another

venture/Booking Profits.

1.6.33 Startup Ecosystem and Stakeholders:

The entrepreneurial ecosystem is a complex network of stakeholders operating within a multi-faceted environment that is influenced by various factors. In the context of startups, these stakeholders and individuals interact with each other and play different roles depending on the stage of development of the startup, ultimately influencing its success. There are several key ingredients that shape a healthy entrepreneurial system, including culture, talent, infrastructure, global mindset, regulations, capital, know-how, rebellion, market, and communication skills. The best use or appropriate utilization of these ingredients fosters a thriving startup ecosystem. The Government of India has played a significant role in supporting startups through the launch of the Startup India Program and Invest India. The support provided is multi-faceted, ranging from policy development to funding support for creating startups. These initiatives have been instrumental in providing the necessary support and changing the landscape of the startup ecosystem in India.

1.6.34 Startup Stakeholders: The following are the major Stakeholders of Startups who are the key to success of Startups in India:

1.6.35 Government: Governments around the world are promoting entrepreneurship and startups as preferred solutions to accelerate economic growth and employment opportunities within their respective territories. The Government of India (GoI) has recognized the value of collaborating with disruptive innovators across the value chain and leveraging their innovations to improve public service delivery through its nodal agencies such as DPIIT, DST, DOBT, and platforms such as Atal Innovation Mission and Research Parks. GoI is also committed to removing

funding bottlenecks through its agencies such as SIDBI, KVIC, and various other schemes, and providing favorable policies and frameworks, need-based regulatory reforms, and a conducive business environment for the startup ecosystem. In addition to providing support and incentives to startups, the government also offers recognitions and awards to State Startup Mission.

1.6.36 State Startup Missions: local challenges need local solutions and for that thirty out of 36 States & UTs have implemented Startup Policy to provide enabling platform to local Startups to go for entrepreneurship with innovative ideas and solutions. Some of the States like Rajasthan Gujarat, Maharashtra, Odisha, Karnataka, Kerala, are encouraging best practices in local Startups.

1.6.37 Public Sector: Many Public sector have now come up with Special purpose vehicles/incubators to encourage development of innovative ideas of their vendors or Employees. Public Sector has been backbone of socio-economic structure of this country and here also it has been providing support to Startup ecosystem of the country, and, in particular providing Startups with Fund, Guidance and handholding.

1.6.38 Private Corporate & other Established business community: Just like Public Sector, Big Indian Corporate behemoths like Tatas, Birlas, Wipro, HCL, have come to acknowledge the agility provided by Startups in providing innovative solutions to the problems faced by them, especially when due to tremendous inertia of their own entity, they are unable to deal with the problems themselves in an economic and timely fashion. Enterprises are realizing the disruptive potential of Startups and are partnering/investing in them. Collectively Corporate provides market, funding, mentoring and business opportunities, access to client base, infrastructure and distribution network. Some Global Conglomerates and enterprises like, Facebook, Goldman Sachs, Microsoft Ventures etc. in partnership

with Startup India, or otherwise, are providing handholding to Startups with Cash Grants, empowering founders with specialized programs, Skilling etc. The integration of corporations in the startup ecosystem is logical necessity in many ways, from financial support, expert assistance, mentoring, supplying technology, building distribution channels for the Startups, etc to creating a value chain for their business.

1.6.39 Academia-Higher education community, Universities, Academic Institutions & Research Organizations: Academia have a great role to play in Startup ecosystems, especially in the early stages of development. Academia produce a pool of skilled and innovative talent for Startups and provide technical knowhow and guidance on technology driven solutions, e.g. R&D Facilities, Entrepreneurial awareness, Incubator programs and culture of entrepreneurship in the country. Scientist, Mathematicians and other Experts from these institutions provide an environment for research and innovations, functioning and efficient platform for Startups operating in diverse areas with knowledge sharing, linking technology solutions, and training employees of industries and other Corporates on managerial and entrepreneurial development.

1.6.40 Funding Organizations: Timely provision of Financial assistance is Vital for sustenance of any Startup and funding organizations play a vital role in this. In India organizations like SIDBI, KVIC, Banks, Incubators, Clusters or Venture Capitals, Angel Investors, Crowd-funding agencies, they all support Startups with funding, investment options, guidance on projects, hands holding on infrastructure and technology, management expertise, good governance and market driven allocation of resources and exit opportunities.

1.6.41 Startup Community: The Startup Community is the actual backbone of the ecosystem, bringing in its wake entrepreneurship, innovation,

leadership role in building owners, job providers, providing large scale employment, supporting GDP and economy, creating sector and technology specific hubs and wide range of options for consumers and big Corporates/PSEs as also putting up Ancillary Units or making value addition in the overall supply chain.

1.6.42 Startup Ecosystem:

Startup Ecosystem comprises multiple Stakeholders(e.g., Entrepreneurs, Startup Team Members, Investors), and factors (like Ideas, Inventions), stages of Startup, and inter-dependence of such factors amongst different Stakeholders to create a healthy ecosystem conducive for business to grow, nurture and flourish:

The momentum of Startup ecosystems is seeing an upsurge in many parts of India, just like Silicon Valley did for USA, thereby producing large numbers of founders and creative Startup teams who look for unique ways to find a great product-market fit and solve the world's problems. However, innovative ideas take shape when system nurtures them. Therefore, Founders need a supportive & collaborative environment to launch Startups impacting not only the local economy, but also the whole society.

Data suggests that Startups & SMEs create more jobs than large corporations, boosting local economic development and also significantly contributing to GDP of the nation. It is with the concept of formulation of Startups that it is now possible that an entity can provide innovation while tackling risks of uncertainty and lead to innovation. Startups are the very nuclei of innovation, disruption and progress which determine the face of the local ecosystem and play an important role in the economic growth.

Various Stakeholders provide different services in the startup ecosystem. Funding is made available from a variety of sources from Angel Investors to Venture Capitalists

to Crowd-funding, to Alternate Investment funds from Government and Private sources.Integral part of the ecosystem also are the Incubators, Accelerators who provide mentorship, guidance, R&D, and some even offer physical office space, instruments and machinery etc. and strengthen the ecosystem.

Finally, very high percentage of failures, especially in early stages of Startups are a reality. At the same time, the number of Unicorns is shooting up, however, mostly not earning profit. Long term unprofitable Startups end up taking a toll on the ecosystem itself. These are the grey area in the mechanism of Startup Ecosystem drawing attention of Government & other stakeholders and should continue to be an area of research.

1.7 Major issues and Challenges

From the above referred discussion, we can derive a couple of points which affect entrepreneurship and innovation. These two terms, entrepreneurship and innovation, together, in the current discourse in India are essentially referred to as “Startups”. The Entrepreneur is increasingly referred to now-a-days as the “Startup Founder” and the Government policies to promote Startups are referred to as the “Startup ecosystem” which is exemplified in India by the DPIIT’s 19 point startup action plan, unveiled by Hon’ble Prime Minister of India on 16th January, 2016. Hence it is worthwhile to study the determinable background and capabilities of the Startup Founder as also to determine those items in the DPIIT’s 19 point Startup India Action Plan which, willy nilly, makes up the Startup ecosystem in India. Since, in India capital is a scarce resource, it is vital to be able to locate the characteristics in Startup founders which increase the probability of success of their ventures.

1.8 Statement of the Problem

India is a young country and as per the National Youth Policy, youth is defined as a person belonging to 15-29 years age group. There are 37 Crore Indians in this category today and every year 1 crore are being added to it. It is impossible to provide gainful employment to all these. However, if employment is not provided to them, then it won't be long before India's youth, which is being called its 'Demographic Dividend' will turn into be 'Demographic Disaster'. In this scenario, if we are able develop the culture of entrepreneurship in the form of startups and motivate the youth to become an entrepreneur then there is a good possibility that youth will not only develop high level of employment, but also India will no longer have unemployment problem and India may successfully march towards becoming the largest economy of the world, an economy of the size of ten trillion dollars. Startups have emerged globally as an interesting and viable solution to this problem, which utilizes innovation and courage in the face of uncertainty, the two emotions likely to be found in aplenty in youths, and youth is a resource which is India's strength. Culture of startups has already started in the country. More than 500 companies are being registered every day. India has become the third largest startup ecosystem in the world. Every 10 days, one Unicorn company is emerging in India.

India is a third world country and the scope of development is immense, but equally the scarcest resource in India is Capital, and thus there is an interest to see that the average Startup funded through India's Capital resources generates enough profits so that the capital keeps growing and thereby keeps funding new startups and enters a self sustaining virtuous cycle. Hence, the success of the India depends on the success of the startup. Therefore, it is worthwhile to study the effectiveness of DPIITs 19 points Startup India Action Plan after about 6 to 7 years of its announcement, if it has

delivered, especially the pain points and the possibility of adding some points to it to so that it is able cater to hitherto uncovered Startup needs.

In a Startup, the Founder is the biggest determinant of its success. However, it is not possible to read a human mind by other humans. In that situation, a study of most factors which are available on factual basis on the Bio-Data or *Curriculum vitae* of a founder can help the Incubators and mentors of Startups to increase the chances of making a winning bet. Items like Family Background, Sound financial health, Educational and Professional qualifications and other trainings undertaken are some such attributes.

Joseph A. Schumpeter, who is regarded as the foremost theoretician of entrepreneurship, has written various seminal works in German language, like *The Theory of Economic Development(1911 and 1934), Business Cycle(1939), Capitalism, Socialism and Democracy(1942)* made available by the book *The Entrepreneur edited by Markus C. Becker, Thorbjon Knudsen, and Richard Swedberg.* In the views of Joseph A. Schumpeter, *"...entrepreneurial function can be triggered in many individuals if circumstances reward innovation"*. The current spurt in Startups can be attributed to the concerted efforts by the Government to create an ecosystem which rewards risk taking, innovation, initiative and problem solving.

Further, Schumpeter in his *"Capitalism, Socialism and Democracy(1942)"* made available by the book "*The Entrepreneur" edited by Markus C. Becker, Thorbjon Knudsen, and Richard Swedberg* expounded the concepts of *"Creative Destruction"* that postulated the power of innovative entities thus *"But in capitalist reality as distinguished from its textbook picture, it is not that kind of competition which counts but the competition from the new commodity, the new technology, the new source of supply, the new type of organization (the largest scale unit of control for instance)-*

competition which commands a decisive cost or quality advantage and which strikes not at the margins of profits and outputs of the existing firms but at their foundations and their very lives." Fate of big corporate like XEROX, NIKON etc. bear this out!

1.9 Purpose or Objectives:

The following are objectives or purpose of the Study:

A. To examine the background and capabilities of the startup founder in India which can lead to a successful enterprise.
B. To determine the elements of DPIIT's Startup India Action Plan which could not make the desired impact in Indian Startup Ecosystem.
C. To determine some unmet needs of the Startups in India.
D. To suggest criteria to improve chances of success of Indian Startups.

1.10 Research Strategy and Research Design:

Interpretative Research Design pertaining to Qualitative Research Strategy is used. More details provided at Research Question stage.

1.11 Rationale or Justification:

India is a developing third world country with scarce capital resources which is on its way to become the most populous country in the world. Here 37 crore persons are in the category of 'Youth' and every year more than one crore are expected to be added to the workforce. It is not possible to provide jobs to all of them, but Startups can be the 'Perfect solution' to India's problems. Hence there is a need to nurture and ensure that the Startups and the associated Capital invested in them are preserved and it is pertinent to study startups with a view to fine-tune the characteristics of successful

and unsuccessful ventures to upscale eligibility requirements for better success ratio for optimum utilization of scarce seed capital resources.

1.12 Conclusion

This chapter explains the evolution of entrepreneurship worldwide and in India historically. It explains the concept of Startups and Constructive Destruction by Schumpeter. There after it lays out the various steps taken by Government of India to create an ecosystem to foster startups. The present status of various schemes of different Ministries of Government of India are also briefly presented. Various challenges and problems encountered and faced by the startups are incorporated. Finally the chapter describes the rationale of research, research problem, research objectives and the focus of research.

Chapter-2

LITERATURE REVIEW:

Introduction

With century old entrepreneurial culture, the Indian startup ecosystem has evolved vigorously over the last two decades drawing attention of researcher to understand the growthdrivers in the context of multiple factors, reforms and current market trends, technological changes and emerging of many sectors and how diversity, be it lingual or cultural has influenced Startups and Ecosystem.

With subject of study being one of the emerging areas of national economy and of global significance, efforts have been made to overview various studies carried out locally and globally, by institutions, Research Agencies, Organizations, Media and Websites of repute.

Many studies and policy framework of premier institutions like, RBI, SEBI, ADB, World Bank, NITI Aayog, DPIIT, Startup India, NASSCOM, Ministry of MSEs, Invest Indiaetc have been referred as primary source of literature on Indian Startups and Global developments of Ecosystem.

Similarly, literature of Research & professional Organizations like, ASSOCHAM, FICCI, ASSOCHAM, KPMG, Harvard Business School, Observer Research Foundation, IBM, Hurun, Grant Thornton, Price Water Cooper (PWC), Startup Bharat, Inc42, etc. helped as secondary source to understand the local and global trends along with performance reports published in many reputed social & print media and websites, like, Economics Times, Financial Express, livemint.com, Investor Outlook, India Today,

Business Today, digitalnewsasia.com, yourstory.com, doingingbusiness.org, bloombergquint.com, sciencedirect.com, startupcommons.org, fortune.com, indiafilings.com, inc42.com, entrepreneur.com, hbr.org, core.ac.uk, gemconsortium.org, knowstartup.com, forbes.com, firstpost.com, evoma.com, forentrepreneurs.com, researchget.net, dx.doi.org, chamberofcommerce.com, thetechpand.com, startupgenome.com, techcrunch.com, etc.

While these data and inputs helped in close understanding of studies already carried out, areas touched upon from research point of view and after critical evaluation of the information so received to summarize the previous works to draw the gaps, if any, where thereis room to carry out the study further and to bring out a holistic view of this important subject of 'Startups'.

Amidst challenges faced by entrepreneurs, Startups in India are gradually moving to join the Unicorns Club and strengthening the entrepreneurial ecosystem will further pave the way to make India 2nd largest ecosystem globally with more and more Indian companies figuring in the GlobalTop 100.

2.1 Focus areas of Literature Reviews

Since Startups, as a whole have been influenced by multiple factors or variables which sparkseither success or early failures, and in the backdrop of Objective of this study, broad review of the literatures and information received from various sources is being made.

Joseph A. Schumpeter, who is regarded as the foremost theoretician of entrepreneurship, has written various seminal works in German language, like

The Theory of Economic Development(1911 and 1934), Business Cycle(1939), Capitalism, Socialism and Democracy(1942) made available by the book *The Entrepreneur edited by Markus C. Becker, Thorbjon Knudsen, and Richard Swedberg.* In the views of Joseph A. Schumpeter, *"…entrepreneurial function can be triggered in many individuals if circumstances reward innovation"*. The current spurt in Startups can be attributed to the concerted efforts by the Government to create an ecosystem which rewards risk taking, innovation, initiative and problem solving.

Further, Schumpeter in his *"Capitalism, Socialism and Democracy(1942)"* made available by the book "*The Entrepreneur" edited by Markus C. Becker, Thorbjon Knudsen, and Richard Swedberg* expounded the concepts of *"Creative Destruction"* that postulated the power of innovative entities thus *"But in capitalist reality as distinguished from its textbook picture, it is not that kind of competition which counts but the competition from the new commodity, the new technology, the new source of supply, the new type of organization (the largest scale unit of control for instance)- competition which commands a decisive cost or quality advantage and which strikes not at the margins of profits and outputs of the existing firms but at their foundations and their very lives."*

2.2 Challenges and Opportunities influencing Startups

- Startups have been operating in dynamic situations and with evolving of ecosystem, culture of innovation and awareness on entrepreneurship have been witnessing many challenges that led to early failures in Startups and a concern from economic growth. At the same time, opportunities of this evolving economy have made some of them success. With this, to take stock

of literatures on challenges and opportunities, it has been categorized and discussed hereunder:

2.3 Challenges and Problems faced by Startups

- In the global startup landscape, there are various challenges and issues that impact startups, with early-stage failures being a major concern. In India, the majority of startups fail in the first few years, which defeats the purpose of promoting an entrepreneurial culture and discourages upcoming entrepreneurs. To shed light on the factors responsible for these failures, various literature sources have been reviewed, focusing on team, talent, capital and resources, and the ease of doing business.
- Several studies carried out by different agencies have highlighted the reasons for startup failures, including lack of pioneering innovation, weak business models, and replication of western business models without product-market fit. Some reasons were not related to funding. For example, IT startups in India witnessed a significant setback from over 6,000 in 2016 to below 1,000 in 2017. In addition, a study on 'Entrepreneurial India' indicated that close to 80 percent of venture capitalists believe that Indian startups do not have unique business models.
- Ganesaraman Kalyanasundaram, M H Bala Subrahmanya, and Pratibha Moogi (2020) focused on failure cases in tech startups and observed that startups face different constraints at different stages of their lifecycle. They noted that a lack of funding during the stability to growth stage was a significant

constraint, while poor revenue generation, commercialization, and marketing could cause growth failure resulting in poor product promotion or market fit.

- Based on a market research of hundreds of startups, CBInsights (2019) observed that various factors influenced the success or failure of startups, and the degree of influence varied depending on the sector and time of launching. These factors ranged from team disharmony and fund crunch to stiff competition and product-market fit. This analysis should serve as an entrepreneurial lesson for the startup ecosystem.
- In their paper on 'Issues and Challenges of Startups in India', Dr. G Suresh Babu and Dr. K Sridevi (2019) draw attention to the common challenges faced by startups due to multiple reasons, such as financing, revenue generation, team availability, infrastructure, and market availability at different developmental stages. They also highlight government initiatives and the opportunities offered by IT and internet launching for startups.
- Similarly, Dr. Gopaldas Pawan Kumar's (2018) study on the challenges faced by startups indicates that leadership with the ability to take risks, awareness of the ecosystem comprising market, resource challenges, regulatory framework, technology, and infrastructure are crucial factors that influence startup performance.
- According to Goel's (2018) study on 'retrospect & prospects', similar observations were made regarding the lack of startup culture and social hindrances in taking up small ventures, along with a lack of adequate financial support.
- Truong (2016), after receiving feedback from numerous founders, suggests that customized solutions should be sought for different types of startups

experiencing failures for various reasons such as financial difficulties, poor business models, lack of understanding of the market, and technology. Truong also notes that small teams at the initial stage have better commitment and coordination, whereas complexity increases as the business progresses and requires more resources and market considerations.

- In the backdrop of high failures among Startups in Russia, research carried out by Evgeny Tsaplin (2018) suggests that critical factors for survival of Startup Owners are *character, past experience and ability* to do their key business processes better for introducing a minimum viable product that can survive on the market, supplemented by marketing and resource management strategy to speed up the growth in the later startup stages.The thrust of entrepreneurship globally has been of similar significance as could be seen from this Russian research. However, survival of Startups is also governed by other key factors and hence this study leaves room for further elaborationand going for other dimensions.

There are challenges, issues and problems impacting Startups globally and major concern is early-stage failures. With particular reference to the Indian context where majority of Startups failing in the first few years itself defeating the very purpose of promotion of entrepreneurial culture in India and shaking the confidence of thousands of upcoming entrepreneurs, some of the literatures have been reviewed to highlight the factors responsible from Team, Talent, Capitals & Resources to ease of doing business.

- Different agencies , Business Line (2018), moneycontrol (2018) and edtimes (Mahima Negi, 2021) referring a study carried out by IBM Institute of

Business for Value and Oxford Economics by interviewing hundreds of Stakeholders comprising of Entrepreneurs, Venture Capitalists, Industry Leaders and Academics observed that reasons for failure of Startups were multiple with lack of pioneering innovation being the major reason, weak business model by just replicating western business models without product-market fit, lacked innovation etc. and in many cases reasons were not lack of funding led to failures in first couple of years itself.

- Another report of moneycontrol.com (2018) suggested that IT Startups in India witnessed major setback as numbers indicate from over 6000 of 2016 to below 1000 in 2017.
- Similarly, a study on 'Entrepreneurial India', indicates amidst growing market evaluation of Indian Startups in the past couple of years, close to 80 percent of VCs believe they don't have unique business models.
- Rohit Chokhani, Principal Founder, White Unicorn Ventures (2017) has shared that challenges faced by Startups are combination of multiple factors from ease of doing business for prevalent govt. policies, considerable time taken in formation of Startups for prevailing laws and restrictions, raising fund at most of the stages and more of founder based rather than company focused and finding talent & skilled hands for prevailing uncertainty, downsizing and closure are some of the major challenges. The Founder has further observed that the ecosystem also offers opportunities on account of population relations challenges of education, health, infrastructure which are proving boon for Startups to come with innovative solutions, telecom and internet creating new rooms and de-globalization with make in India kind of openings. Issues raised by the Founder gives first-hand experience who could see the trajectory from

Startup to Unicorn. However, challenges have much more penetration in most of the areas be it funding, team or ecosystem support and hence more research could be done.

- Khelil (2016) in his study has gone beyond traditional ways of addressing failures and could highlight both causes & consequences of business failure and has emphasized to consider multiple configurations of entrepreneurial failure. The study further attributes Govt. Policy, quality of Mentorship, etc. also responsible for low success of Startups.
- Gabriella et.al. (2016) emphasized that the factor of fear constructs a temporary emotional experience, which influences most of Entrepreneurs, remain dynamic, changing at different stages of entrepreneurial life cycle regardless of location, nationality or gender.
- In a comparable study, Gabriella Cacciotti and James C. Hayton (2014) discovered that entrepreneurs continue to experience fear due to various factors, ranging from losing business deals to neglecting their families.
- Similarly, Brundin, E. and Gustafsson, V. (2013) found in their research that an entrepreneur's emotions can impact their decisions to continue or discontinue investments when faced with uncertainty. They reported that feelings of embarrassment or frustration can decrease the tendency to invest, while self-confidence, challenge, and hope can increase the likelihood of continuing investments, even when the level of uncertainty is high.
- Cotterill (2012) emphasized in their study on Technology Ventures and the attitudes of entrepreneurs that the inability of a startup to manage challenges can lead to its failure and discontinuation of operations.

- In a similar study focused on China, Li (2011) investigated how an entrepreneur's perception of the outcome of a venture affects their decision-making when starting a new business. It revealed that a positive perception can be seen as an opportunity, and that entrepreneurs who show less fear of failure and risk are more likely to find success attractive.
- Jason Cope's (2008) qualitative research goes beyond learning about the failure experiences of entrepreneurs, delving into the nature of their networks, relationships, and the pressure points of venture management.
- Vikas Parasrampuria (2015) stressed that addressing the challenges of diverse nature from resource management, cultural to infrastructural to lack of mentorships and learning from mistakes including unforeseen challenges could change the face of Startup Ecosystem.
- In a study by Srishti (2015), the challenges faced by Founders in creating and growing their entity are addressed. The study emphasizes the need for new ideas and business models that meet the needs and aspirations of customers, and stresses the importance of a well-rounded approach that combines idea, funding, and talent. It also highlights the significance of a good marketing strategy and strong relationships with funding agencies to secure financing. Founders often invest everything they have, including their earnings, careers, and personal lives, into their ventures, making it critical to address the challenges that arise during growth and diversification.
- In a case study of Groupon's acquisition of Adku, an e-commerce data targeting Startup, Prateek (2012) identifies key learnings for Startups and Silicon Valley on talent acquisition and retention. The study emphasizes the importance of addressing cultural issues and bureaucracy, and removing

restrictions on agility, rather than just relying on firing or offering high salaries and perks.

- Jenkins, Wiklund, and Brundin (2012) conducted a study that went beyond Appraisal theory to systematically assess the emotional distress experienced by firms that go bankrupt or fail. The study highlights the loss of self-esteem as a key indicator of the degree of loss experienced by both the firm and the individual, and brings together Financial and Psychological capitals to determine this degree of loss.
- Crocker and Wolfe's (2001) study shows that loss of self-esteem indicates an individual's worth in a domain and how they feel when they fail in it. It also examines the link between self-esteem and depression, and how and when self-esteem is implicated.
- Shepherd and Haynie (2011) observed that the psychological well-being of an entrepreneur influences their response to negative attributions from others during a failure. The degree of the entrepreneur's positive view of themselves determines whether they will react positively or negatively to failure.
- Past studies have highlighted various aspects of entrepreneurial failure. One common issue is premature scaling, where the behavioral stage becomes larger than the actual stage, leading to overspending on marketing and advertising before achieving market or product fit. Jenkins, Wiklund, and Brundin (2012) suggest that Startups pass through an actual stage measured by metrics, such as user growth, retention rate, and revenue, as well as a behavioral stage that includes customer, product, team, financials, and business model.
- A review of various studies reveals that the reasons for failure of many

Startups include lack of financial, managerial, and technical support, as well as inadequate infrastructure support, lack of organized marketing support, and absence of forward and backward linkages. Some studies also point to psychological factors that contribute to failure, while others highlight over-spending by Startups on product promotional activities in the initial stage. Appropriate government policies are also crucial for the smooth growth of Startups.

2.4 Opportunities of Growth and Success

Various sectors of economy provide opportunities to Startups and the ecosystem has witnessed both failure and success together, albeit, the degree may differ. Infact the market driven economy will keep providing opportunities with emergence of new sectors and advent of technologies. Some of the on these developments are as under:

- In his 2021 analysis, Ben Williamson explores the potential for rapid growth in educational technology (edtech), particularly in China and India, as well as the geopolitical implications of using digital technologies and AI in education. He identifies a range of actors and factors, including human and organizational elements, as well as hardware and software, which are drawing attention from researchers and developers. Williamson notes that the landscape of edtech is enabling re-engineering in classrooms and helping professionals, teachers, and investors better understand the value proposition of educational technology.
- Sharma and Mathur's 2019 study, "A Step Towards Digital Agronomy by Startups," highlights the potential for agri-tech startups to revolutionize traditional farming methods and increase performance and income through the

advent of digital agronomy. They suggest that startups can leverage mechanization and automation to achieve these goals.

- Omkar Rai's 2020 observations focus on the integral role of startup-corporate collaborations in driving innovation and enabling India to become a $5-trillion economy by 2025. These collaborations can help address structural barriers by providing cushion for ideation, co-creation, and optimization, ultimately promoting equitable and sustainable growth.
- The 2020 study by Anil Kumar Singh et al. stresses the need to accelerate the growth of agritech startups to shape the expected growth of the agriculture sector. The study suggests addressing bottlenecks, strengthening logistics support chains, and providing economic relief packages to promote agri-export and other agri reforms.
- Rajan Anandan's 2018 analysis of Indian startups highlights the growth journey of the Tata Group as an example for entrepreneurs. Anandan notes that successful entrepreneurs must address core consumer challenges to make their products marketable.
- Team of Pierre et. Al. (2018) in their research stressed on the changing pattern in the age of successful founders from early twenties to early thirties on a quick assessment, beit Bill Gate, Steve Jobs, Mark Zuckerberg, Paul Graham fall in this age bracket to early fortiesas have been average age of high-tech founders and emerged that besides IT & Software, Social Media companies, where founders are young, companies like Oil & Gas, Bio-tech, Heavy Industries have founders in 40s, thus also depend on type of industry.
- Dr. K. Sunanda's 2017 study analyzes the success journeys of Zomato and Redbus to identify key factors that contribute to the success of startups.

Efficient management practices, including proper marketing, pricing, team retention, and regular customer feedback, are essential for startups to avoid failure. Sunanda emphasizes that corresponding support from stakeholders, including tax incentives and mentorship from the government, is also crucial for success.

- According to a study by Anand J, Shalina Pillai, Ranjani Ayyar, Rachel Chitra, and Aparna Desikan in 2017, analyzing nearly 20 startups, 2016 was a tough year for startups in the food industry and some other areas. The study identified several startups, including FairCent, Staqu, FreshtoHome, IdFoods, FreshMenu, CapitalFloat, Healthifyme, FlyRobe, Tripoto, PeelWorks, NowFloats, and FarEye, which remain in the watchlist for a stronger presence in the Indian startup ecosystem.
- Jain (2016) elaborated on Problems related to Indian Startups and concluded that unorganized and fragmented structure of Startups is a major issue. The study also focused on the need for unambiguous and transparent policy and well-developed communication channels to share the information and knowledge for better exposure and understanding.
- Nikita Bhatia, in a similar study in 2016, drew lessons from successful startups such as Foodpanda, Myntra, Jabong, and Housing.com, and observed that startups can tap into potential challenges and accessibility in areas such as healthcare, drinking water, public transport, quality education, sanitation, electricity, waste management, pollution, safety of women, and crime control with local solutions. The study further highlighted that domain knowledge, entrepreneurial leadership, passion to serve, acquiring talent and requisite experience, and political will can offer out-of-the-box solutions.

- Anirudh Challa in 2016, shared his learning as an aspiring entrepreneur and founder of ThinQbate, emphasizing the dynamic process of success and failure, improving skills, ability to think and apply as learned with UpGrad, and structuring to position the product to the market helped in the growth journey and early-stage support of that startup.
- Varnana Choudhury's 2015 analysis of project management tools for startups observed that the dynamics of the startup ecosystem in India have been preventing growth as many startups continue to face challenges besides funding to survive the market competition. The research further highlighted that areas like adequate mentoring with guidance to support and promote a potentially viable concept and idea to implement effectively, as well as in branding of products with systematic planning, can avert hindrances and shape more growth stories.
- In a study by Larry Cornett (2011), the success or failure of high technology startups was found to be influenced by the guidance of mentors who help secure backing from venture capitalists, track performance metrics effectively, and adopt new behavior patterns related to customer acquisition, market risk, and team management. Startups with a strong business and technical team foundation or a combination of these were found to be more likely to succeed, while premature scaling and failure to address key dimensions such as customer, product, team, financials, and business model were associated with failure.
- Dawn R. DeTienne (2010) emphasized the importance of developing an exit strategy as an integral part of the entrepreneurial process, which includes

considerations for financing, legal and organizational structure, and can improve the number and quality of exits.

- Wennberg et al. (2010) suggested that entrepreneurs exit firms during both financial distress and periods of strong performance, but relatively less attention is paid to exit compared to starting a venture.
- In a study by Politis and Gabrielsson (2009), enterprising entrepreneurs were found to have a more positive attitude towards failures than others, viewing them as opportunities for learning and development, and moving forward positively to create new ventures.
- Singh, Corner, and Pavlovich (2007) highlighted the importance of considering the holistic view of the entire entrepreneurial process, including the high potential for entrepreneurial failures, and how entrepreneurs learn from such failures across economic, social, psychological, and physiological aspects of their lives.
- Fear of failure was observed to play a significant role in the journey of entrepreneurs by Ray (1994), yet it motivates them to take risks in launching new ventures as risk is inherent in opportunity.
- In a study by Donald A. Duchesneau and William B. Gartner (1990), lead entrepreneurs were found to have a family background in entrepreneurship, a personal commitment to the business, and a clear idea of the market and how to adapt to adverse situations, yielding higher market share and returns compared to less successful or failed firms.
- Veronica Gustafsson (2004) studied decision-making in the entrepreneurial process and found that experienced entrepreneurs match their decision-making

techniques with the nature of the task, while novice entrepreneurs lack this ability to a degree, which can be acquired over time.

- Pena (2002) suggested that intellectual capital management is relevant for venture performance, and entrepreneurs should understand and apply capitals for education, motivation, organizational change, and networking with market and stakeholders.
- Cooper Arnold et al. (1988) found that entrepreneurs' perception of success as business owners should be appraised continuously, and objective diagnosis of problems and prospects for the business in its current form can help them sustain their businesses. Overall, these studies suggest that startups have immense potential for growth and can make significant contributions to society and the economy. With ambitious plans for growth and GDP, as well as government initiatives for training, financial assistance, and infrastructure development, India has high potential for startup growth, and the emerging entry of venture capital funds is providing a boost to the startup ecosystem.

2.5 Funding and Institutional support to Startups

- Finding Finance and Capital support at each of the stages of the Startups, viz Ideation, Scaling, is vital for the survival of the Startup. Further, mechanism of institutional support including Academic, Incubation, Acceleration etc. ensure their success. There are innumerable studies reporting early failures due to lack of funding and/or cash crunch.
- Megha Agarwal (2021) noted in "The Overview 2020" that there was a paradigm shift in the Indian startup ecosystem in the second half of the year, with funds continuing to flow and investors completing deals despite the

business slowdown caused by the pandemic. Sectors such as Edtech, Healthtech, Fintech, Online gaming, and OTT saw growth, and nine new startups entered the Unicorn Club during this time.

- In their research report "India Venture Capital Report 2021," Arpan Sheth, Sriwatsan Krishnan, and Arjun Upmanyu (2021) pointed out that while 2020 presented challenges for startups, 2021 will accelerate digital trends and increase fund availability through Venture Capital firms. They recommended that the government should take measures to improve the ecosystem for funding and business, including reducing or relaxing taxes, GST, granting AIF status to additional investment instruments, introducing norms by SEBI to facilitate offshore listing, and allowing FDIs to hold hybrid securities in India with certain restrictions. These measures will give a boost to startups and help drive growth in the economy.
- The panel of researchers, Mohamed F. et.al. (2021), stressed the importance of social enterprises having intermediary roles to help startups weather the crisis by providing funding support. They conducted a study using the crowdfunding platform UpEffect, which has been successful in introducing changes to the business model to help startups retain existing customers and reach new ones, and also to crowdfund during the pandemic. The research provides possible solutions for the startup community during the crisis and helps in preparedness for recovery.
- Muñoz et al. (2019) also highlighted similar strategies, such as breaking through and reaching out, which can be adopted by social entrepreneurs when responding to a crisis situation like the pandemic.

- SIDBI (2019) conducted a study on private investing driven by Venture Capitals and expressed concern that funding remains a serious challenge in India. Better participation of private investment stakeholders would improve the VC ecosystem and bridge the gap between early-stage funding by VCs and late-stage funding by Private Equity (PE).
- Sameer Ranjan (2020) highlighted that despite the challenges of cautious approaches to debt servicing, reaching no profit no loss zones, a slide in GDP growth, constraints of regulations in fund-raising, and the pandemic, startups still managed to disrupt their ideas and obtain the necessary funding and support in 2019.
- Camryn Greer (2019) observed that startups' quest for success passes through funding, economic, capability, design, and other risks, which Founders and Entrepreneurs often encounter at different stages that have been impacting startups. It was advised to consider these challenges while launching a startup for possible preparedness and improving the chances of success.
- Ridhima Saxena (2019) reported that significant investment flow in infrastructure and real estate sectors driven by capital flow and policy reforms, including new investment structures like InvITs and REITs by the Indian government, led to investment close to US$ 5 billion in 2019 by Private Equity (PE) and Venture Capital (VC) in India, more than doubling the previous year's investment.
- Aarti Kalra's (2019) research shows that crowdfunding has become a popular mode of fund collection globally, with only three countries, the US, the UK, and China, accounting for 96% of overall financial reward crowdfunding. India entered the crowdfunding route later after receiving clearance from SEBI

to avail it as a funding criterion for startups. In 2019, crowdfunding contributed close to $2 million to the startup segment.

- Gautam Das (2018) reports the rise and fall in the number of deals and their value made by VCs during the period from 2013 to 2017. Certain areas, such as Seed Investment, Consumer Internet & Mobile Sectors, and Internet Industry, experienced a fall, while sectors like Fintech and AI, Enterprise Software, HealthTech, and DeepTech continue to attract VC interest.
- Shivani Pandita's (2017) research on financial problems faced by startups, such as working capital, profit margins, late payments affecting liquidity, improper funding options, unplanned sales promotions, and risk tolerance, shows that financial stability with liquidity and control plans in place and proper budgeting helps in the viability of startups.
- Other studies by Skok (2016) and Pandita (2017) highlight the problems caused by inadequate financial support and improper cash management, which can create hurdles in a business's growth at the advanced stage.
- Iwasiuk (2016) also observes that inadequate funding is a significant problem faced by most new tech startups, and if not addressed in time, it could lead to potential failures.
- Studies by Mittal (2014) and Truong (2016) reveal that finance's availability is often a challenge for entrepreneurs, especially in the initial stages. Availability of adequate credit poses serious challenges to them to survive and sustain.
- Jagtiani and Lemieux (2017) suggest that traditional banking and fintech lenders may emerge as partners for mutual interest. Banks view fintech as potential partners, including going for equity investment in them, and are likely to benefit from big data sources of fintechs.

- Sharifi and Hossain (2015) observed that venture capitalists supporting startups with capital, innovative projects and services, management expertise, networking, and marketing support, look for effective capital management to ensure higher returns, given the nature of such projects with higher risk. Small firms seeking finance lack property rights, carry weak credentials for financing with either small profit or no profit, and have a low appetite for risk.
- Emmanuel Amberber's (2015) research on investors going for startup funding shows that half of the capital flow of the $18 billion funding for five years from 2010 came in 2015 alone in more than 1000 deals. The funding was influenced by the growing number of internet users in India, mostly in online, mobile categories besides healthcare and e-commerce logistics.
- The NASSCOM (2015) report on funding mechanisms suggests that individuals and corporate executives with high net worth should strengthen the startup ecosystem by participating as angel investors, mentoring and supporting young entrepreneurs from the early stages, besides recommending measures to mitigate the present condition of high risk and incentivizing such investments by possible tax reliefs.
- According to Nerea San-Martín-Albizuria and Arturo Rodríguez-Castellanosb (2012), who conducted research on crisis episodes in a global market-driven economy, the instability in financial markets has brought attention to risk management due to the growing interrelation, integration, and globalization of these markets.
- In his 2009 study on the future of public efforts, Josh Lerner emphasized that policies on Venture Capital by public efforts can promote better opportunities for entrepreneurship. He also observed that disseminating information and

understanding funding partners' expectations can remove barriers for Venture Investors.

- Augustin Landier and David Thesmar (2006), considering funding requirements and entrepreneurial preferences on debt based on data from some French entrepreneurs, found substantial heterogeneity in their study, indicating differences in beliefs exist, and short-term debt is preferred due to optimistic entrepreneurial beliefs in Financial Contracting.
- These studies provide a comprehensive view of various issues related to the availability of financial support to startups. They highlight issues such as timely availability of financial support in the initial stage and liquidity problems faced by startups. Additionally, the studies emphasize the significance of newly introduced financial instruments like crowdfunding and the role of angel investors in promoting startups. Some studies also showcase the role of SIDBI in promoting and nurturing startups, while others bring up other sources of financial support for startups based on strategies followed in other countries.

2.6 Technology & Infrastructure Available

- As per Schumpeter, an Entrepreneur uses the available technology in an Innovative manner, market it successfully and disrupts the industry. This is imperative for growth in society. Entrepreneurs look for opportunities to develop an innovative idea and translate that into viable business by marketing it successfully. However, it remains a challenge to transform technology into need-based products & services for promotion of culture of technology innovation.

- In her study, Sohini Mitter (2021) noted that the strategic use of technology can not only help startups avoid failure but also establish a robust model that can be replicated. She highlighted the case of ConveGenius, an Edtech startup based in Noida, which scaled up its learning platform from half a million to 10 million students during the pandemic, using a unique WhatsApp chatbot-assisted application.
- Shreya Ganguly (2021) reported on how an Edtech startup made a paradigm shift from offline to online learning to address the challenges faced by school-going children during the pandemic.
- In her study on apparel manufacturing marketplaces, Trisha Medhi (2021) observed that blending traditional artisanal techniques with technology-induced transparency and traceability can empower small and medium entrepreneurs, reimagine the fashion supply chain, and make a positive impact on the lives of artisans, women, and the planet.
- Anirudh Challa (2021) pointed out that the availability of tools has made the startup journey comfortable, enabling entrepreneurs to move from idea to execution stages smoothly, depending on the stage of their entrepreneurship.
- Team of Cai Li et.al. (2020) took a study on role of Business Incubators as a tool for entrepreneurship and observed that business incubators have been serving multiple objectives by integrating education & training, business, management, new skills to support new business schemes and diversification of business opportunities. They further observed that such a mechanism is stimulating growth and acting as change agent for regional development and transition of entrepreneurship to youths as avocation in the early stages of business development, making them Knowledge-based entrepreneurial

companies creating economic growth.

- Mahima Negi (2021) emphasized the role of accelerators in fostering innovation and the advent of new technologies. The study noted that adequate support from accelerators, in combination with need-based technology, can strengthen the startup ecosystem and help prevent sizeable failures. The study also advocated for more patents to boost the confidence of stakeholders, including investors, and consolidate India's position in the Global Innovation Index.
- Anjali Venugopalan (2020) took up presence of Incubators like Indiarath whichcould infuse confidence building by mentoring first batch of 9 Startups with coaching & up skilling in the areas of technology & brand management through business remodeling, productdesigning, branding by industry experts.
- A study by NASSCOM (2018) on the Indian tech startup ecosystem in 2018 revealed that the landscape of tech startups was gaining momentum in the key areas of unicorns, investment flows, growth in advanced technology, and global expansion. The study reported that the number of tech startups had crossed 7500, with many going global in both B2B and B2C segments, and investment during January to September 2018 was up by 110%, indicating a positive trend towards new business exploration.
- A report by KPMG (2018) notes that the emergence of Fintech in 2018 was due to the conducive environment created by Financial Institutions, Startups, Venture Capitalists, and the Government, resulting in increased investments during the first half of the year. The report highlights that emerging areas such as Open Banking, Artificial Intelligence, and Blockchain have the potential to transform the financial services sector in India and encourage participation

from non-financial service sectors such as Telecom, Power, and Retail, leveraging open data to augment their portfolios by entering the financial services industry.

- A study by Muiruri Zipporah Karimi, Patrick Karanja Ngugi, and Romanus Odhiambo (2018) on 'Technology Transfer Services and Performance of Startup Firms' observes that Incubators play a significant role in improving the performance of Startups globally, including in Kenya. By providing upgraded knowledge, skills, and technologies, technology transfer helps in creating wealth for economies.
- In a study on Technology-based Startups, Subrahmanya MH Bala (2018) observes that the evolving ecosystem is witnessing an increasing number of Tech Startups prompted by technology entrepreneurship. Tech Startups are considered to have high potential and meet the conditions for enabling the growth of Startups, be it employment generation, innovation, or export promotion. This has drawn attention from stakeholders, policymakers, and investors locally and globally.
- A study by the UNESCO Institute for Statistics (2018, source: World Bank) on R&D expenditures highlights that funding for R&D expenditure remains a challenge in India, with overall spending on R&D as a percentage of GDP standing at less than 1%. Despite the Ministry of Science & Technology, GoI, receiving close to US$ 1.5 Billion in 2015-16, along with other ministries such as Agriculture, Defence, Earth Science, Health, Renewable Energy, Space & Atomic Energy for undertaking research works.
- In 'Research in India Part 1: Local solutions needed to deal with unique problems,' Shibulal (2017) emphasizes the need for Stakeholders to encourage

applied research that can help Startups develop local solutions in basic areas and enable youth to adopt them. Focusing on the current state of R&D, infrastructure, and resources in India, Shibulal highlights that promoting R&D will be critical to remain competitive globally.

- In another study by Shibulal (2017) on R&D, 'Research in India Part 2,' the author emphasizes the importance of translating research into innovative products, processes, services, and economic growth, rather than just the number of scientific publications released by India. The study highlights that public investment in R&D can also encourage private sectors to contribute to applied research and overall development, becoming enablers of the ecosystem.
- A study by Mesut Savrula and Ahmet Incekarab (2015) on 'The Effect of R&D Intensity on Innovation Performance: A Country Level Evaluation' of more than 60 developing countries over a decade from 2000, observed that R&D has a significant impact in higher and medium-income countries. In contrast, lower-income countries tend to use technologies developed by higher-income countries to achieve the desired level of economic growth.
- Horst Siebert and Michael Stolpe (2001) have emphasized that investing in research and development for the automobile industry in Germany could stimulate the national economy and drive innovation and development.
- In her study on internet industries, Mugdha Variyar (2017) notes that the food-tech sector has the potential to emerge as the fastest-growing industry with 15-20% growth, reaching over US$ 3 billion by 2021. This is due to better customer engagement, higher commissions, and daily average orders of over

300,000, with an average order value of Rs. 350 and restaurants pocketing 30% of the order.

- Dr. Arabina Mitra of DST (2016) observes that collaboration between industry and academia is crucial to drive innovation and research in the country. The collaboration would require bringing together people and innovative mechanisms to influence the process.
- In one of his studies, 'The Startup Scene in India: Part 1', Avatar Barun Rath (2013) notes that India is emerging as a fast-growing young economy in the areas of startups and technology. The success of startups like Flipkart, Inmobi, Snapdeal, and Myntra has distinguished India from China. The study also highlights the impact of issues like lack of competition on the ecosystem, affecting the quality, valuation, and market building.
- Technology has played a crucial role in the success of startups, as noted by several studies. The studies highlight the importance of different types of research and development arrangements and innovations that support eco startups. Internet and technology-based industries have performed well, and there has been an increase in the number of tech startups supported by technology entrepreneurship. According to these studies, there is significant potential for eco and tech-supported startups.

2.7 Product, Marketing and Sales Strategies

Major Achilles heels of Startups, as seen in the Literature review, are Market Problems, Strategies, Planning & Time Management, Product – Market Fit and these are impacting Startups to the extent of survivability. Literature Review also reveals problems Startups face while launching any new product

and its pricing etc.

- In 2021, Anju Ann Mathew and Tenzin Norzom reported on the success of Kala Saga, a sustainability model created by Priya Namdev and Ashi Sirbhaiya to support local artisans. Kala Saga helped artisans in various ways, such as creating a big market for them, sourcing fabrics, connecting them with an NGO for marketable products, and translating their stories on social media to update customers for better price and sustainability.
- In 2020, the British Business Bank emphasized the importance of connecting with customers and proper marketing to familiarize a brand with features, positioning it to reach the target audience and support sales. They noted that entrepreneurs need to keep marketing at the heart of their business and prioritize customer feedback for retention.
- Abdo Riani, in 2020, analyzed pricing strategies for startups, emphasizing the importance of understanding key factors such as customers, competitors, and costs. He cautioned that pricing strategies will not work without a product that is accepted in the market and benefits people. Startups can take cues from competitors to start with, while keeping in mind customer behavior, marketing, and perceived value of the product.
- In 2019, Team cbinsights analyzed over a hundred startup failures and found that the most frequent reason was the lack of product-market fit. They noted that startups often overlook what customers want, market demands, affordable prices, and bearable costs, and ignore the importance of user-friendly features and feedback from customers before launching.
- In 2018, Ganesaraman Kalyanasundaram attributed the degree of success to factors such as market fit, launching minimum viable products, and

periodically monitoring and validating customers, ensuring that the products they execute are acceptable.

- Featherlite Evoma (2017) found that a small number of successful startups are those that plan properly, bring products that the market needs, have a sound business model, team orientation, and avoid overspending on marketing and advertising. This is in contrast to the majority of startups that fail due to premature scaling and encountering hurdles.
- In another study, Skok David (2016) emphasized the importance of understanding market needs and having a product-market fit from ideation to validation stages. Startups need to focus on key elements such as timing of product launch, having requisite resources, and capital, and commitment from stakeholders. Failure to address these factors could be a major cause of failure for startups.
- Derek Iwasiuk (2016) analyzed the challenges and opportunities available for tech startups and found that the unique characteristics of the market pose multiple challenges, ranging from globalized business platforms to lack of financing and government policies. However, there are also opportunities for startups to invest in emerging markets and look beyond these challenges.
- Anirudh Challa (2016) recommended that startups should identify the need-gap in the market through market research and work towards fulfilling it with appropriate use of market understanding. This should be done not just during the idea validation and product development stages, but also to upgrade as expected by customers to reinvent themselves for sustenance.
- Forbes Magazine (2015) reported that lack of market need for their products was the biggest reason for failure of 90% of startups in the US within the first

5 years. The success of startups was attributed to bringing a product that meets the need, having a versatile team with a market-driven strategy, observing business processes, model, and scalability, and being ready to adjust quickly to market changes. This draws the attention of venture capitalists for later-stage accelerated growth.

- Erin Griffith's (2014) study of and interactions with founders found that product and market fit was a key reason for the failure of startups, along with lack of capital, poor team, and stiff competition. However, there have also been instances where products like the mobile phone, considered to be a novelty, are no longer in demand, and as Steve Jobs, Apple co-founder, once said, "A lot of times, people don’t know what they want until you show it to them."

The findings from aforementioned studies indicate that Startups face numerous constraints and operate with limited resources. However, they have developed innovative methods of product development and marketing, and locally focused products with novel features have been well received in local markets. Additionally, the studies show that Startups perform better in emerging markets, and those that can cater to customer preferences tend to survive better. The research highlights that small enterprises often encounter challenges related to cost, competitive pricing, product quality, and marketing arrangements. Lack of demand for products during the initial stages has been identified as a major reason for Startups' failures. Finally, the studies suggest that the entrepreneurial spirit, skills, talent, and knowledge of the startup owner significantly contribute to their success.

2.8 Startup and Entrepreneurial Ecosystem

In a country like India, where, traditionally Government has done everything from Business to Banking, it is natural for people to look in the directions of Government to create an ecosystem for Startups and innovations. The history of Indian Startup Ecosystem has witnessed many phases of development from family-based business to Corporate, one product or service to multi-product and multi-locationincluding overseas and in spite of challenges faced, the pace of growth of Startups in India hasbeen possible with support from its Stakeholders including Society.

- SEBI (2021) has increased the limit for overseas investment from $7500 Mn. to US $ 1,500 Mn. for all eligible AIFs/VCFs in consultation with the Reserve Bank of India while keeping other conditions unchanged.
- According to PwC's (2021) analysis of the Top 100 Global Companies in terms of Market Capitalization, the pandemic had a brief impact in the first quarter of 2020, and by March 2021, the value of the capital had increased by close to 50%, exceeding $10K Bn. The US remained at the top of the list, accounting for 57% of the total valuation, with Technology continuing to be the largest sector. The report further states that Industrials and Basic Materials outperformed other sectors, while Health Care, Energy, and Utilities were the worst-performing sectors in the Top 100 list. Interestingly, 77% of the global capitalization of the Top 100 companies was accounted for by the US and China and its regions, and only two Indian companies, Reliance Inc and Tata Consultancy, made it to the list.
- Megha Agarwal (2021) analyzed the Investor Outlook 2021 and consulted select Venture Founders, indicating that the paradigm shift of 2020 would

continue in 2021 with more pace for tech adoption and a sizable demand for the Indian market, leading to value creation for local products. The report further took into account a three-dimensional approach, with expectations from Startups & Entrepreneurs and likely trends for 2021, such as agility, digital adoption across sectors, local solutions, collaborations, work from home, going beyond metros to small towns, adoption of technologies to be innovative along with a value proposition of the product.

- According to PTI (2021), India was among the top 50 innovative economies in 2020 and the third-largest Startup Ecosystem globally. The report further states that 50 Startups are likely to join the Unicorn club by 2022, up from just 21 currently. India's Ambassador to the US, Taranjit Singh Sandhu, expressed this at a mentoring program for Indian National Startup Awards 2020 finalists co-hosted by the Embassy of India in partnership with the Department of Promotion of Industry and Internal Trade (DPIIT) and the US-India Strategic Partnership Forum (USISPF).
- Vishal Krishna (2021) observed in his study on 'Local to Global' that with the latest ban on Chinese apps, opportunities have significantly improved for locals to develop business apps. It looks like the future is Indians using made in India apps, as expressed by Kartik Sharma, Founder of KShark Apps. Sharma could develop apps like Root Power Explorer, Carbon Scanner on Cloud OCR technology, "Bloatware Remover App," and with a starting journey of Rs. 5 Lac, could get revenue of Rs. One Cr in FY 2020.
- According to Shoshanna Delventhal's (2020) study on 'Fastest Growing Green Startups of 2020', startups are increasingly transitioning from traditional to green energy sectors by utilizing technology to create innovative solutions for

environmental challenges. However, they face unique challenges in attracting investors and competing with growth-oriented entrepreneurs, while balancing bottom-line profits with social responsibility, economic value, and environmental impact. Despite these challenges, green startups like Fuergy, Facedrive, and Power Ledger have been attracting venture capitalists and crowdfunding platforms that share similar interests in creating a greener world.

- In his paper on 'For a Successful Startup Revolution: Experience from the Startup Action Plan (SAP) in India', Vijay K. Singh (2020) cites an ADBI Working Paper (2020) on 'Policy and Regulator Change 2020' that highlights the success of India's startup ecosystem in accordance with the SAP and its potential to boost the economy.
- Based on a survey of approximately 35,000 entrepreneurs and firms, social media platform LocalCircles (2019) found that SMEs and startups in India are struggling and awaiting changes in the ecosystem to improve ease of doing business and winding up processes, as well as larger investments and acquisition by global giants.
- According to Yanogya Sharma, citing KPMG (2019) on the trend of startup growth, the number of startups in India has increased significantly from 7,000 in 2008 to 50,000 in 2018, with sectors such as IT, AI, Foodtech, and healthtech leading the innovation charge. This growth has been largely supported by favorable ecosystems, an increase in venture capital funding, and government initiatives that have enabled startups in Tier 2 and 3 cities to thrive.

- Based on a review of more than 3,500 reforms since 2003, the World Bank Group (2019) emphasizes the need for necessary reforms in the prevailing system and processes for business incorporation and regulation, which may have implications for small and medium enterprises (SMEs). Additionally, a healthy presence of private sectors alongside government efforts to create local employment and income opportunities is necessary for sustainable growth.
- In 2019, several reports highlighted the growth and potential of the Indian startup ecosystem despite the overall economic slowdown. The KPMG report noted that startups could sustain and drive growth with close to $8 billion in capital flowing in just three quarters of 2019, resulting in the emergence of many unicorns and nearly two dozen funding rounds exceeding $100 million. The report also highlighted the influence of stakeholders such as the government, private sectors, and academic institutions on startup growth, even during slow trends caused by credit crises.
- Similarly, a report by KrAsia in 2019 stated that the Indian ecosystem boasted over 50,000 startups and improved funding arrangements, with Chinese venture capitalists investing over $5.5 billion in India in 2018 and projecting to raise $11 billion in 2019. The report also named prominent startups like Byju’s, BigBasket, CureFit, DailyHunt, Dream11, Delhivery, Oyo, Ola, Sharechat, and PolicyBazaar.
- The RBI's 2019 pilot survey revealed that startup growth mainly concentrated in select states of India, with factors like market and industry demands and team expertise being crucial for startup success in the data and analytics, health, education, and agriculture sectors. The survey also noted that private

participation primarily supported startup growth and could help generate employment, with common constraints like access to new markets, finance, skilled labor, talent, technology, and distribution channels remaining relevant.

- Sabrina Korreck's 2019 study on the Indian startup ecosystem highlighted the pace of growth being made possible by support from all corners of the system, including various reforms, incentives for investors, market trends, technological changes, and attitudinal changes of stakeholders, with innovation serving as a growth driver for startup founders.
- KPMG's 2019 report projected an overview of the startup ecosystem, noting the interest of global investors, particularly from China, with slower growth in tier 2 or tier 3 cities compared to metros and continued focus on B2B segments, resulting in established startups receiving reasonable funds and the rise of unicorns in India.
- Sunny Li et al.'s 2019 report on enriching the innovation ecosystem revealed that countries worldwide were adopting either a planner or facilitator role in promoting innovation, with a hybrid approach allowing interaction with multiple stakeholders and creating a vibrant innovation system in support of a knowledge-driven society.
- NASSCOM-Zinnov report of 2018 highlighted the growth and trends of the overall startup ecosystem, with over 1,200 emerging startups, eight unicorns, and over $4 billion in funding. The report also noted the expansion of Indian B2C startups globally and the arrival of global startups in India for talent.
- Dr. Gopaldas Pawan Kumar conducted research on Indian Startup challenges and noted that the Government's initiatives, such as the Startup India program and various schemes, offer opportunities for startups in India. These

initiatives may enable some of them to become unicorns.

- In addition, Shruti Arcot Kesavan reported on NASSCOM data that India leads the growth of tech startups due to factors such as a significant rise in the number of advanced technology startups, B2B and B2C segments expanding globally, and the emergence of Tier 2 and 3 cities as startup hubs.
- Aastha Singal also highlighted that local startups attracted investors by providing solutions to real problems and received funding from both local and global venture capitalists, resulting in many of them joining the unicorn club in 2018.
- According to the NASSCOM Overview, the Indian startup ecosystem became more attractive to investors due to growth drivers and initiatives made by stakeholders, such as investors, incubators, and the government, bringing funding of close to 6.4 billion between the first half of 2016 and 2017.
- SD Shibulal observed that innovation plays a key role in creating wealth and sustainability in the Indian ecosystem, and the government, along with entrepreneurs, investors, talent, and academic institutions, should support R&D.
- The GoI launched the Startup India initiative in 2016, which aims to create employment and job creators driven by ideas. Finally, Paramjit Anand reported that India's ecosystem is gradually becoming more investor-friendly, with government schemes like Startup India, Make in India, and the Startup Fund, as well as the population advantage and qualified youths coming forward to entrepreneurship, being good signs for the startup ecosystem.

- Jain S. (2016) conducted research on the growth of the startup ecosystem in India and emphasized the importance of support from all stakeholders in creating an entrepreneurial environment. This support should encompass key issues such as regulations, taxation, and ease of doing business. Jain further advocated for collaboration between corporates, industrialists, academic institutions, and the government to promote innovation and address the issue of unemployment.
- A study by Grant Thorton & ASSOCHAM India (2016) on Startup India highlighted the role of various initiatives in enabling the emergence of over 10,000 startups in India, making it the third-largest tech startup ecosystem globally.
- Arun Kumar Attree et al. (2016) analyzed the entrepreneurial ecosystem in India and observed that the country's potential global market and pressure of unemployment have led to the government creating a supportive environment for startups through various initiatives such as MUDRA bank, SMILE, Startup Exchange, India Aspiration Fund, Self-utilization, and Talent Utilization (SETU).
- NITI Aayog (2015) emphasized the significant role of entrepreneurs in the economic development of a country, promoting innovation, building wealth, creating jobs, and enhancing economic growth. The Atal Innovation Mission was established to promote this culture.
- NASSCOM studies, as reported by Barun Rath (2013), found that the Indian startup ecosystem has grown significantly in the last five years, particularly in areas such as internet, engineering, retail or e-commerce, and manufacturing. Some corporates such as Wipro and Infosys have supported the ecosystem

through incubators, VC or private equity funds, and infrastructure such as the National Entrepreneurship Network (NEN) and IIM Ahmedabad's Centre for Innovation Incubation and Entrepreneurship (CIIE).

- Overall, the above studies highlight that the government of India has created a favorable environment for the growth of entrepreneurship by incentivizing startups and facilitating ease of doing business. As a result, many enterprises, particularly in the IT sector, internet, e-commerce, and manufacturing, have emerged and grown strong.

2.9 Research Questions:

A. What effect does an Indian Startup Founder from Business Family Background have on the chances of success of the venture?

B. What effect does an Indian Startup Founder having a substantial accumulated capital or a having a substantial regular family income have on the chances of success of the venture?

C. What effect does an Indian Startup Founder having Professional qualifications and entrepreneurial training have on the chances of success of the venture?

D. Which elements of the 19 points Startup India Action Plan of DPIIT could not make the desired impact on the Indian Startups?

E. What are some of the unmet needs which if fulfilled can improve chances of success of Indian Startups?

2.10 Scope/Limitations/Delimitations:

The study is limited in Scope due to paucity of time and time bound nature of submission of the dissertation.

2.11 Research Gaps

Even though studies made in select areas, few studies could focus holistically on Indian Startups, there is inconsistency and thus provides enough scope of further study in alarming areas which can improve Startup Ecosystem and draw better attention of Stakeholders to create sustainability of Startups. Some of the research gaps identified after review of the literatures are as under:

a. There are few studies in the past that have considered the background of the Founders of Startups, their nurturing environment, especially wrt family background and Educational/Training etc.
b. Studies made reference of demographic dividend; however adequate studies lack toexplain as how this could be best utilized.
c. Most of the studies focused on overall performance of the Startups in pursuit of government guidelines but lack grass root level studies to identify the challenges and issuesand linkage with resources.
d. Study on Industry connect with collaboration of Industry & Academics missed any focusedapproach.

2.12 Focus of the Present Study

The present study has attempted to cover the gaps in the existing literature and focuses on the following:

A. To examine the background and capabilities of the startup founder in India which can lead to a successful enterprise.
B. To determine the elements of DPIIT's Startup India Action Plan which could not make the desired impact in Indian Startup Ecosystem.
C. To determine some unmet needs of the Startups in India.
D. To suggest criteria to improve chances of success of Indian Startups.

2.13 Conclusion

In all, it is found that there are research studies focusing the issues and challenges that work as obstacles in desired growth of Startups and need bringing a holistic approach to suggest a model that connects the missing links, understanding of demand, sectors and market perceived, emerging opportunities due to advent of technology or demographic changes or expectations of GenNext, bringing collaborations among Stakeholders & role of development agencies and how to bring need based connectivity of funding agencies from Angel, VCs to Banks & other Govt. agencies mapped together which has not adequate focus in studies and can help Startups in both early and expansion stages and reducing the occurrences of early failures or premature scaling, a big threat for Startups and Entrepreneurial Development in India.

In a Startup, the Founder is the biggest determinant of its success. However, it is not possible to read a human mind by other humans. In that situation, a study of most

factors which are available on factual basis on the Bio-Data or *Curriculum vitae* of a founder can help the Incubators and mentors of Startups to increase the chances of making a winning bet.

Government took lot of initiatives and redesigned the policy framework with Startup India Mission in 2016. However, objectives of this mission are not fully achieved and leave much scope for improvement. Literature reviews have thrown light on many challenging areas and room for further study to look the entire gamut holistically. Therefore, the present study has attempted to analyze the issues & challenges faced by the Startups in making Startup entities viable and sustainable.

Chapter 3

Research Methodology

In this chapter, the research design, methodology, and method of analyses of the data collected from primary and secondary sources are outlined. The research design is tailored to align with the study's research objectives. The chapter encompasses research questions, objectives, research gaps etc. This chapter is critical as it establishes the framework for subsequent analysis and interpretation. To establish appropriate study objectives, a thorough literature review was conducted to comprehend the current status of previous research on the subject. This process assisted in identifying research gaps, formulating research questions, and ultimately establishing the necessary research design. Based on the available literature, the following research questions were generated.

3.1 Research Questions:

A. What effect does an Indian Startup Founder from Business Family Background have on the chances of success of the venture?

B. What effect does an Indian Startup Founder having a substantial accumulated capital or a having a substantial regular family income have on the chances of success of the venture?

C. What effect does an Indian Startup Founder having Professional qualifications and entrepreneurial training have on the chances of success of the venture?

D. Which elements of the 19 points Startup India Action Plan of DPIIT could not make the desired impact on the Indian Startups?

E. What are some of the unmet needs which if fulfilled can improve chances of success of Indian Startups?

Accordingly, the research gaps are framed.

3.2 Research Gaps

Even though studies made in select areas, few studies could focus holistically on Indian Startups, there is inconsistency and thus provides enough scope of further study in alarming areas which can improve Startup Ecosystem and draw better attention of Stakeholders to create sustainability of Startups. Some of the research gaps identified after review of the literatures are as under:

a. There are few studies in the past that have considered the background of the Founders of Startups, their nurturing environment, especially wrt family background and Educational/Training etc.

b. Studies made reference of demographic dividend; however adequate studies lack toexplain as how this could be best utilized.

c. Most of the studies focused on overall performance of the Startups in pursuit of government guidelines but lack grass root level studies to identify the challenges and issuesand linkage with resources.

d. Study on Industry connect with collaboration of Industry & Academics missed any focused approach.

3.3 Research Objectives

The overall goal of this research is to assess the factors affecting performance of start –ups

A. To examine the background and capabilities of the startup founder in India which can lead to a successful enterprise.
B. To determine the elements of DPIIT's Startup India Action Plan which could not make the desired impact in Indian Startup Ecosystem.
C. To determine some unmet needs of the Startups in India.
D. To suggest criteria to improve chances of success of Indian Startups.

3.4 Type of research

This study is qualitative in nature. The various efforts made by DPIIT and other Ministries and departments of Government of India have been studied. A lot of Books and papers have been studied to assess the factors that can influence the performance of the Startups. Two Startup Mentors associated with Startup Incubators and seven identified founders of Startups have been interviewed. Thus, the study follows a holistic approach to analyze in depth various aspects of the Startup performance and implementation aspects to suggest a suitable framework.

3.5 Data

This study is based on both primary and secondary data sources.

3.5.1 Primary Data

Primary data has been collected through Personal Interaction with two Startup Mentors Structured Interview of seven identified Startup Founders. Response of DPIIT and other related Ministries and Departments of Government of India to the Parliamentary Questions of various sessions, both Starred and Unstarred.

3.5.2 Secondary Data

The secondary data and information have been collected from different scholars' and researchers' published books, various research work done on similar or related field, articles various journals, literatures, magazines, newspaper articles, website, Other relevant online publications etc. and would be analyzed for preparing the paper extensively.

3.6 Qualitative Research Technique

"Qualitative research is gathering and analysing non-numerical data in order to gain a better understanding of concepts, ideas, or experiences" (Santisteban, 2017). "It can be utilised to get in-depth understanding of a subject or to develop fresh research ideas".

3.7 Review of Studies

For a progressive economy, cultivating an entrepreneurial culture is a must. In the current situation, it is critical to promote and grow entrepreneurship in order to

achieve economic integration. Entrepreneurs evaluate a variety of factors while deciding whether or not to pursueentrepreneurship, including the desire for financial independence, decision-making autonomy,and social recognition and distinction.

Process of Qualitative Research

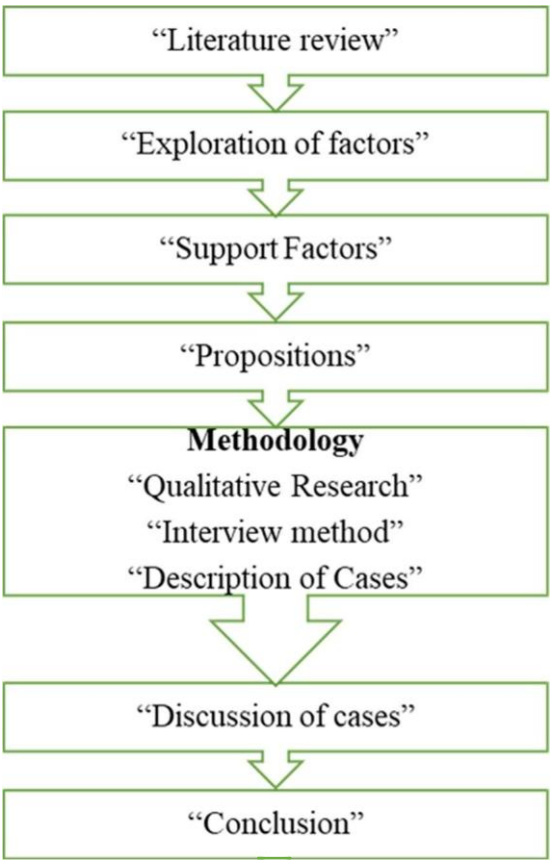

Figure 3.1* Process *of Qualitative Research

3.8 Support Factors

The term "support service" refers to financial and non-financial assistance provided by any organisation (public or private) in the creation, development, and expansion of businesses (Sarder et al., 1997). Financial help, training and development programmes, marketing support,technical aid, physical infrastructure, extension and counselling services, and any aid in entrepreneurial activities are all needed, according to Sarder (1995).

Bodies assist various underprivileged Startups financially and mentally by involving them in a variety of income-generating activities. Flexible promotional policies promote and support entrepreneurs to participate in creating the economy by starting their own businesses for personal growth and fulfilment. As a result, these support organisations are widely regarded as a cornerstone for encouragement. Entrepreneurs are becoming more involved in financial activities as a result of corporate glass ceiling difficulties, the need for flexible work schedules, financial independence, and self-recognition (Sharif, 2015).

3.9 Conclusion

The chapter covers details of objectives, research focus, data type and source, and a brief discussion of qualitative research used. The information and data used in this study are both primary and secondary. It also outlines the required approach for each objective. The chapter specifies the approaches that must be used for each target. Then there is a quick rundown of qualitative research. Its goal is to reach a conclusion based on theories found in the literature. The researcher uses qualitative analysis to determine which support elements can lead to Startup’s success and which ones canlead to failure.

Chapter 4

Founder and Ecosystem impact on Startup Success

4.1 For greater understanding of influence of Startups on the trajectory of GDP growth and employment in India and in turn the effect of the Founders and the Startup ecosystem in the journey of the Startups, it is pertinent to go through the evolution of Indian Enterprise and the Ecosystem recently being developed by the various Ministries of Government of India, the Pole position for which, undoubtedly is held by the Department of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry, Government of India.

In his Foreward to the book "Igniting 37 Crore Growth Engines" written by Pradeep S. Chauhan and Shivalli M. Chouhan, Sh. Satish Kumar, National Co-Organizer, Swadeshi Jagran Manch puts forward his views with some interesting statistics and great vigour, on the importance of innovation and enterprise and brings forth his views as the inevitability of startups as vehicle of India's economic growth.

*"**Great Past of Bharat***

Bharat has been a prosperous and employment-oriented economy of the world for almost 10,000 years. A proof of Bharat's economic prosperity has been documented in a report by Utsa Patnaik that the Britishers looted about 45 trillion dollars from Bharat, which is almost double the size of the present US economy (about 21 trillion dollars) during their 200 years of rule in Bharat. Even Bharat's current and former External Affairs Ministers S. Jaishankar and Shashi Tharoor have endorsed Patnaik's report. The foreign aggressions on Bharat had started as early as AD 712 with the sole objective of robbing the riches of the prosperous Bharat and its resources. Despite the 1,000 years of several foreign aggressions, there is enough evidence that

Bhartiya economy continues to be vibrant and resilient. Gold, silver, diamonds, etc. worth over Rs 1. 7 5 lakh crore lying in the basement of the temple in Thiruvananthapuram are some of the facts. Similarly, the unbounded wealth of temples in other parts of the country, including wealth from the Golden Temple, Amritsar to Tirupati Balaji, is a proof of the fact that economic prosperity in Bharat had once been at its peak. Many current studies also confirm this. The study 'Millennium Perspective: 2000 Years of Economic History' by Professor Angus Maddison of Oxford University is cited many times in which he has confirmed that from the first century to the 15th century, Bharat's contribution to world's GDP (Gross Domestic Product) was 24.4% and therefore unemployment in Bharat was almost negligible.

Bharat: A Nation of Youth

Post-independence and particularly in the last 30-32 years Bharat has registered an impressive economic recovery at an average GDP growth rate of 6.5% and the present Bhartiya economy is growing at 8-9%. However, this growth has been termed as 'jobless growth' because employment is not keeping pace with the growing proportion of youth in Bhartiya population. Every year about 10 million new youth join Bhartiya job market per work opportunity in the youth category (in the job market).

At present, many economic think tanks have deeply debated over the burning issue of rising Bhartiya unemployment with their respective viewpoints and proposed some solutions. The present book is a culmination of the collective outcome of this brainstorming exercise and an attempt to answer how to make young Bhartiya population an instrument of solution itself. There are examples around the world that many countries have achieved a higher growth rate of 1 to 2% through progressive

reforms in sectors like health, education and skill development. Examples of several countries come to our minds that have reaped the demographic dividends due to strength of their younger population. There is a direct relationship between the younger population and economic development, provided that youth is properly trained. However, it is important to note that many economic and social scholars believe that if the demographic dividend is not reaped correctly then it may turn into 'demographic disaster' which can cause serious crisis for the entire country. This may lead to wide-spread protests, mental depression, suicide, drug abuse, rapes and various other socio-cultural evils and physical-mental diseases in the society.

At present, Bharat, which is the youngest country in the world has only two options, either work hard and plan to reap the demographic dividend or witness its own population becoming a burden on itself and causing all kinds of troubles. It is obvious that Bharat should choose the first path.

Every Nation has a Strength Area

As each person has one or the other strength like physical, intellectual, mental, spiritual or may be all of them. Similarly, societies and nations also have their own strengths. These strengths become the source of their progress and development. These strengths become the foundation for setting their future goals. These strengths are formulated out of national ideologies, philosophy and historical progress. For example, if we look at the USA which is one of the most powerful countries of the world then we find that core strengths of this country are their strong research and development base and Intellectual Patent Rights (or generally known as IPRs). Today, IPRs contributes about 34-35% of America's GDP. America makes intensive efforts to protect and propagate its IPR regime and remains extremely cautious with respect to issues related to Intellectual Patent Rights in World Trade Organization

(WTO). Besides IPR, the other major contributor to America's national income are Information Technology and Software sector. It is worth mentioning that traditional sectors of economy like agriculture, industrial production and manufacturing are not the prime contributors to its economy.

China: Low-Cost Manufacturing

Similarly, when we think about China, we realize that its biggest strength is its low-cost manufacturing base. Although it is also progressing rapidly in the field of IT and IPR but its overall exports are more than those of any other country in the world. China's low-cost manufacturing is the major reason for this. Overall, about 24 percent of the world's manufacturing takes place in China, especially in the sectors like machinery, electronics and chemicals. Although China has manufacturing capabilities in every field, still some areas are its core strength.

Japan-Automobiles, Robotics and Artificial Intelligence

Similarly, when we study world's third largest economy Japan, we observe that automobile, electronics, robotics, artificial intelligence are its most powerful sectors. Today, about 64 percent of the Bhartiya automobile market is dominated by Japanese automobiles. Even the US automobile market has a 50% share of Japanese automobiles. There is no other country in the world which can match the quality of automobiles and high-end electronics manufacturing of Japan.

Germany: High-end Engineering Technology Products

Similarly, the world's fourth largest economy Germany, has expertise in high-end engineering technology products. Its major strength is high quality engineering and health sector products. The Middle Eastern countries have remained the world's richest countries for the last 50-60 years only due to large reserves of their crude oil

and its export. They have inherited this natural wealth. Although these days middle east nations are using their economic resources for strengthening production in different sectors of economy, yet for countries like United Arab Emirates, Kuwait, Iran, Iraq the major source of income remains crude oil. United Arab Emirates alone exports oil worth $145-150 billion. Similarly, Russia's biggest strength is defense manufacturing equipments. It accounts for 14 percent of the world's weapons production and 26 percent of its total income comes from arms and military weapon manufacturing. Russia is also a major exporter of oil and natural gas (third biggest in the world) and it can be concluded that these two-three fields are its core strengths.

Our youth is our core strength

In the same context when we study about other countries, we observe that only one or two areas are their core strengths. Some of the examples are: Bangladesh, a rising economy in textile, Sweden in transport vehicle exports, South Korea in shipping, electronics and mobile only. Many small countries run their economy on the basis of only one or two large companies or one or two major sectors like Hotels and Tourism. In this context, what is Bharat's strength? Or what can be Bharat's strength? It is true that Bharat is a huge country. Currently it has a population of about 140 crores and in last 25 years Bharat has made great progress in the three sectors: agriculture, manufacturing and service, but its biggest strength is its young population. The total land of Bharat is only 2.6% of the world while the total population is 17% of the world's population. At present and since 2018 in particular, Bharat is benefitting maximum from its young population dividend and Bharat expects to remain in the same position for the next 25 years. Population dividend is a term used when working population of a country (18 to 65 years old) is more than the rest of its population. This means Bharat has more people capable of economic

earning and less people dependent on them. Apart from this, Bharat has 33 crore youth in the age group of 15 to 29, which is not only more than any other country in the world, but also more than the total population of any other country except China. China currently has about 26 crore youth and America's total population is 34 crores. Bhartiya youth are not only young in terms of age, but recently Bharat has also crossed the literacy rate of 90 percent. The nation is progressing very fast in the sectors essential for economic growth like health, education, skill development, infrastructure, ease of doing business etc.

Therefore, if Bharat makes this young population the main source of its economic progress, then not only will Bharat get rid of its unemployment problem, but also will become the fastest growing economy in the world. Bharat is witnessing 8-9% GDP growth rate since last few years but by following this strategy it may register even higher economic growth. It has been widely accepted that any country can increase its GDP growth by 1 % or 2% if it has a young population and thereby reaps a demographic dividend. Provided the country keeps other macro-economic variables in check, it can expect to create good employment opportunities and better economic growth. Most of the world surveys are in agreement with this (the data and other details are provided in this book).

Bharat must make its unemployed youths a means to its solution

At present, Bharat is battling a major disease of unemployment. Unemployment rate is quite high i.e., 7.2% of total workforce. The unemployment rate is a staggering 19% among graduates and above graduate population which is an even bigger cause of concern. When we try to find out the reasons for this unemployment rate, many different aspects come into picture. For example: Industrialists say that we do not get labor and youth are saying that we do not get employment. Infact the rising

aspirations of Bhartiya youth has fueled the literacy rate and education growth in the country. That is why the youth do not want a labor-intensive job fetching Rs. 10-12,000 per month and consider this below their expectation. The youth aspire for high income jobs which are not available in the organized sector. This is a big reason for unemployment.

Jobs are limited, employment is unlimited

In Bharat, however, organized sector jobs, including government, private or public private partnership and semi-government, together account for only 7.3% of the total labor force. The only possible solution for this problem rests in one word- "Entrepreneurship". Only entrepreneurship has the capacity to generate the jobs and economic resources to match the employment aspirations of the youth in Bharat. It is to be noted that the percentage of youth population is less in those states which are industrialized. States, like Tamil Nadu, Maharashtra and Gujarat which have many employment opportunities, have TFR (Total Fertility Rate) of only from 1.6 to 1.8 and the states where the fertility rate is more than 2, such as Bihar, Jharkhand, Uttar Pradesh, Madhya Pradesh etc., are less industrialized.

The word 'job' has become iconic in Bharat today. In fact, this has been enforced on us by the Britishers, otherwise we used to have a common saying -the best is farming, good business, low service (job), but the Britishers started the culture of job in Bharat to establish their rule. The English speaking were honored here. The British started luring English speaking Bhartiyas with good salaries and convinced them that having a job is a respectable thing for society. Gradually, having a job became a symbol of prestige and aristocracy. Activities like agriculture, business, and entrepreneurship were viewed in low esteem in the society. In fact, a job never fully brings out the inner

talents, merits and capabilities of any person. The person having a job cannot even realize his or her own dreams and never thinks of earning big. It seems that the whole life of an employee just revolves around working 9 to 5 and generating reports to impress their boss. It is therefore necessary that we reinvent the culture of entrepreneurship in this country. In present scenario, the culture of startups has already started in the country. More than 500 companies are being registered every day. Bharat has become the third largest startup ecosystem in the world. Every 10 days, one Unicorn company is emerging in Bharat. So, if we are able develop the culture of entrepreneurship in the form of Farmer Producer Organization (FPO) startups and motivate the youth to become an entrepreneur then there is a good possibility that youth will not only develop high level of employment, but also Bharat will no longer have unemployment problem and may successfully march towards becoming the largest economy of the world, an economy of the size of 1 0 trillion dollars.

How to develop our young population as the engine of economic growth?

There are 1,100 universities and 55,000 colleges across the country. We must set up entrepreneurship and employment development centers in these educational institutions so that we can not only change the mind set of 3. 7 crores youth in higher education but also fulfil the need for entrepreneurial training through these centers. These centres should not only provide the information related to governments schemes like Farmers Producers Organization, Startup, Entrepreneurship, MSMEs etc. but also train the youth for setting up their own businesses. Students in the higher educational institutions and colleges must be groomed on the principle of 'earn while you learn' and imparted entrepreneurial training at the same time so that when a student is about to graduate from a university or a college, his training and his

practice are already been done in such a way that he has two options either avail the good job opportunity or start his own enterprise having two-three years of experience for the same. This way he can start his own enterprise and have good earnings without wasting any time after completing the education. From this point of view, he should have completely imbibed and practiced the philosophy of 'earn while you learn', 'start earning early' and 'don't be job seeker be job provider' before even being a graduate or post-graduate.

Bharat's population growth rate 2.0 is a cause of concern

A report on Bhartiya population published in the month of September 2021 by the famous American think-tank PEW claimed that the population growth of Bharat has been reduced to a level of about surpassed 2.0 which is less than the replacement level 2.1. In other words, this means that the Bhartiya population is experiencing a decline in growth. Not only this but the report further highlights that those religions having origin outside Bharat like Muslims have the growth of 2.3 percent as compared to 1.8-1.9 percent growth rate of Hindu population. According to the same report, by 2070, the population of Bharat will be 110 crore and by the year 2100, the total population of Bharat will be reduced to 72 crores and that too with the higher percentage of elderly. If the Muslim growth rate remains marginally higher at 0.4 or 0.5% than the Hindu growth rate, then very likely the Muslim percentage of population in Bharat will reach upto 32-33%. This is going to change the social and economic scenario of the country.

Further PEW's report states that Tamil Nadu and Kerala are now out of their demographic dividend. That is, there are fewer people In the age group of 15 to 60 years and the population dependent on them (children and old people) is more. Even more worrying facts are about Maharashtra and Bengal where the total growth rate

has come down to 1.6 percent with Muslim growth rate being 1.8 percent and Hindu growth rate being 1.4 percent which means in the next 20 to 25 years there will be a total cultural and social change in these states along with their population. There are possibilities that Muslim population will reach 40 to 41 percent and more elderly in Hindu population in these two states. This possibility not only creates social imbalance but also brings down economic growth. It is very natural that the older population is unable to achieve the required growth rate.

The older the Nation, the slower the economic activity

An example of Japan: -Currently in Japan, about 25% of the businesses have been closed only because the people working there have no children, or they have started doing some other jobs etc. There are 35% of the businesses run by the elderly who are above 60 years of age. At such an age, a person does not think innovatively about the growth of business but just focuses on somehow continuing with the existing business. That's why the growth rate of Japan is just 1-2% now. There are many other reasons for this as well, but one of the prime reasons is the ageing population of Japan. As of now, the median age of Japan and Bharat is 49 years and 28 years respectively. In order to maintain its economic growth, Bharat must keep the growth rate of the population at the replacement level of 2.1 or 2.2. Otherwise, In future, we will be building a Bharat in which old age population will be more and economic growth will be low.

Sustainable growth and keeping population growth at 2.2 is a challenging task: *The present median age of Europe, Japan and Singapore is 44 years, 49 years and 45 years respectively. The median age of China and America is 3 7 years. The governments of Japan, Singapore and 28 European countries are giving various types of incentives for population growth. There are provisions for paid leave from work to*

the woman as soon as she conceives. There are also different types of incentives (on having two children). But despite all these incentives the governments of these countries could not achieve any success in promoting the population growth. This is because of western thinking and desire for attaining immediate happiness that these countries have failed to achieve any success. Declining economic growth rate not only endangers the future of the present generation but also of the entire country. But still it is happening. If Bharat has to survive as a nation in the long run, play a decisive role on the world stage and maintain its economic growth, then it has to wake up now and promote its population growth rate to 2.2 with the help of extensive incentives and government schemes. Social and religious organizations should also supplement the efforts of government to enlighten and encourage the society about achieving the population growth rate of 2.2.

Vasudhaiva Kutumbakam

Bhartiya youth must disperse all over the world, not only to achieve economic and employment objectives but also to propagate the Bhartiya philosophy of 'Vasudhaiva Kutumbakam' throughout the world. With the largest Indian diaspora of 1.75 crores all over the world we should not hesitate to promote this idea. Even if the population of Bharat grows at the rate of 2.2, the present population density of 423 per kilometer should not pose much burden. It is also worth noting that the population density of Bangladesh is 1,123 per kilometer, i.e., 3 times more than Bharat, yet the per capita income of Bangladesh is more than that of Bharat and its economic growth rate is also not less than Bharat.

Presently, there is a huge demand for Bhartiya youth across the world including Europe for low skilled jobs like paramedical, skilled labor, health care, driver etc. Even if one crore people migrate out of Bharat in the next 20 years, this will benefit

the country because the Bhartiya diaspora sends about$ 78 billion per year to Bharat as remittances. It is the second largest contributor to the country's income.

Youth should adopt technology: *There is a general belief that jobs are reducing due to the development of technology. However, no credible international research or study supports this fact. New technology only changes the nature of jobs. If a country lags behind in adopting new technology then it steps towards more unemployment. The country suffers decline in production and research and development. So, there is no harm in adopting new and innovative technologies. Last year, Bharat's IT and software exports were $180 billion, whereas United Arab Emirates crude oil exports totaled $145 billion. This means if our youth have gone into IT and software, then they are a big driver of economic prosperity and job creation. One of the major reasons for current Bhartiya economic growth is Bharat's rapid adoption of technology or digital economy.*

Something similar is also true about online shopping. Before foreign and multinational companies take advantage of this online business of Bharat, it is better that we move to online business quickly. Today the biggest challenge to Bharat's retail sector is from companies like Amazon or Walmart. The only way to overcome this challenge is that our youth and companies should quickly adopt the online business model. The MSME and the retail sector of the country should quickly resort to online sales also. We must emphasize on building own companies, own brands, own research and development for faster manufacturing of new products. This may become a reason for Bharat's economic and employment growth.

Bharat currently has a youth population of 37 crore (15 to 29 age group). No matter how educated or skilled they are no government or industry can provide jobs to such

a large young population. So there is only one option available and that is Bharat must turn to entrepreneurship. And that is what Bharat is doing also.

Great Bharat: A necessity of the world

The youth of Bharat must keep in mind that our development journey should be eco-friendly. It is also necessary for long-term sustainable development. Decentralization and cooperatives movements are the other two mantras essential for economic and employment growth of a hugely populated country like Bharat. It is better if there are plans for economic and employment growth based on district or lower-level decentralization which can ensure better economic growth rate. The success of One District One Product Scheme in Karnataka, Uttar Pradesh and other states is a good proof. Similarly, co-operatives can generate quality employment. This is evident from the successful experience of Bhartiya Coffee House to Amul, Bharat's largest cooperative industry. Amul Dairy has increased the income of 36 lakh farmers of Gujarat by one-third. The income gap in co-operative industries is 1:9 whereas in the corporate sector, sometimes it can be as high as 1:2000 or even more. The youth must keep in mind that they must imbibe their language, their culture, their values. They must understand and propagate the Bhartiya message in the world, because to develop only as an economic unit is an incomplete and one sided concept of development.

The overall development of any individual or society is based on economic as well as its moral, spiritual and environmental friendly values. This universe is interconnected as a whole and coexists as one single entity. Not only do we have to understand the Bhartiya philosophy of 'Ekatmavad' but we must ensure that the world also follows the same. The Idea of 'Vasudhaiva kutumbakam' is not merely a transient thought but

a holistic materialistic and spiritual philosophy capable of ensuring the overall well being of the world. For more than 10,000 years, Bharat has been giving this message to the world. We must spread this in future also as the world needs this most now than ever before."

Satish Kumar

National Co-Organizer, Swadeshi Jagran Manch

4.2 India has a rich history of family-owned businesses, with a strong focus on entrepreneurship and trade. The manufacturing and agricultural sectors have thrived, thanks to high-demand products such as cotton, silk, pepper, cloves, cardamom, and cinnamon. Local products like rice, indigo, sugar, and tobacco have also played a significant role in shaping the country's economy, providing employment to millions and helping to establish spinning and weaving as a national industry after agriculture. These commodities were highly sought-after in markets across Asia and Europe, which attracted the attention of European companies and led to a new era of trade that eventually led to British rule.

Despite the challenges posed by colonization, India has continued to build upon its strong entrepreneurial foundation. The Swadeshi movement, for example, helped to inspire a wave of successful entrepreneurship, which has continued to this day. From pre-independence to the present day, India has seen many pioneers who have set the path for indigenous growth, including Jamsetji Tata, Shiv Narayan Birla, Sundaram Iyengar, Laxmanrao Kirloskar, and Dhirubhai Ambani, among others. Noticeably, Family run businesses have been backbone of Indian economy and have performed better than

professionally managed companies and could earn a respectable 14% annualized returns between January 2017 and January 2020 on the stock exchanges and a market capitalization close to INR 70 lakh crore and as data suggests contributing close to 80% of Indian GDP. These companies have set examples of taking risk, challenging the uncertainty and disrupting the landscape of business and economy, which should be taken as success stories and learning for the youths planning to go for new ventures and Startups.

4.3 Startup Ecosystem in India

India is one of the largest Startup ecosystems in the world with rich entrepreneurial tradition & glorious past of accounting for 25% of the global GDP some 300 years back that reduced to just 2% due to sustained foreign invasions. With continuous reforms & efforts made by successive governments post-independence and political India could evolve as emerging economy globally. With more and more entrepreneurial activities, innovation trajectories are proving to be sound foundation for Startups Ecosystem and has been generating interest for entrepreneurship. Growth of Startups, by and large, has been phenomenal from few Tech Companies to thousands of innovative firms growing in numbers decade after decade from close to 7000 to 29000 in between 2008 & 2014 and this has grown exponentially to over 55000 by mid 2021and taking many ventures not registered with DPIIT, the actual number might be much higher. The growth could witness skyrocketing funding, a major concern otherwise and better momentum from 2014 onwards. The pace of growth is likely to touch the 3 digits $Billion funding figure and valuation of Startups in hundreds of $Billion together, considering the valuation of 100+ Unicorns crossing the mark of $250 Billion by now. Over a period of time, the ecosystem has offered

tremendous growth opportunities for Startups, taking advantages of emerging market & technology driven & digital solutions. Measures like, culture of innovation from Schools, strengthening Industry – Academic Collaborations, more Incubators & Accelerators and active participation of Stakeholders to likely to fulfill the dream of $ 10 Trillion Economy soon. The nodal agency of GoI, DPIIT (Department for Promotion of Industry and Internal Trade) have so far recognized over 55000 Startups, of that close to 44000 Startups are reported to be active and ecosystem is witness to Investors and Incubators coming up to support the Startups and together these Startups could generate close to 5 lakh jobs as one of the reports of DPIIT says till 2020. Government has also been taking various measures and regulatory reforms to support the Endeavour of Startups which is helping many to acquire valuation of a Unicorn. The Bedrock of Indian Ecosystem is the one created by DPIIT, the action Plan for startup India was unveiled by Prime Minister of India on 16th January, 2016. The Action Plan comprises 19 action items spanning across areas such as "Simplification and handholding, "Funding support and incentives" and "Industry-Academia partnership and incubation". Apart from the 19 points action plan, many other initiatives have been taken for overall growth of startup movement in the Country. Since the launch of initiative in January 2016, there has been a substantial progress under Startup India Action Plan across all the economic sectors including Semi-urban and rural areas. The details of the plan and its achievements till March 2023, as made available by DPIIT are as under:

4.4 "STARTUP INDIA ACTION PLAN POINTS, OBJECTIVES AND PROGRESS MADE ON THE 19 ACTION POINTS

4.4.1 Compliance Regime based on Self-certification

Objective

To reduce the regulatory burden on Startups thereby allowing them to focus on their corebusiness and keep compliance cost low.

Status

Startups are allowed to self-certify their compliance under 9 Labour and 3 Environment laws for a period of 3 to 5 years from the date of incorporation.

29 states have complied with self-certification advisory under Labour Laws. 9 states haveintegrated their portals with Shram Suvidha Portal. A list of 502 startups that have self- certified has been uploaded on the Shram Suvidha Portal. Under Environmental Law, 36white category industries have been identified for availing self-certifications

4.4.2 Startup India Hub

Objective

To create a single point of contact for the entire Startup ecosystem and enable knowledgeexchange and access to funding.

Status

The Government launched a Startup India Online Hub on 19th June 2017 which is one ofits kind online platforms for all stakeholders of the entrepreneurial ecosystem in India to discover, connect and engage with each other. The online hub hosts startups, investors,funds, mentors, academic institutions, incubators, accelerators, corporates, Governmentbodies, and more.

3,01,210 queries have been addressed from various stakeholders, as on 28th February 2023.

4.4.3 Rolling out of mobile app and portal

Objective

To serve as the single platform for Startups for interacting with Government and regulatory institutions for all business needs and information exchange among various stakeholders

Status

Startup India portal and app were launched in April 2016. More than 6.2 lakhs users areregistered on the Startup India Portal as on 28th February 2023. 92,683 startups have been recognized by Department for Promotion of Industry and Internal Trade (DPIIT) through the portal as on 28th February 2023.

4.4.4 Legal Support and Fast-tracking Patent Examination at Lower Costs

Objective

To promote awareness and adoption of IPRs by startups and facilitate them in protecting and commercializing the IPRs by providing access to high quality

Intellectual Property services and resources, including fast-track examination of patent applications and rebatein fees.

Status

Startups are eligible for 80% rebate in patent filing fees and 50% rebate in trademark filing fees. Additionally, startups are also provided the facility of expedited examination of patent applications to reduce time taken in granting patents.

As of 28th February 2023, 510 patent facilitators and 392 trademark facilitators have been empaneled to provide free-of-charge services startups. 2,507 startups have filed for expedited examination for patent applications, of which 1,275 patents have been grantedand 2,380 have been issued the First Examination Report. 31,427 Trademark applications have been filed of which 15,050 trademarks have been registered.

4.4.5 Relaxed Norms of Public Procurement for Startups

Objective

To provide an equal platform to Startups (in the manufacturing sector) vis-à-vis the experienced entrepreneurs/ companies in public procurement.

Status

The requirement of prior turnover and experience has been relaxed to encourage startups to participate for tenders. Further, startups have been exempted from the requirement of earnest money deposit. 'GeM Startup Runway' has been launched with dedicated cornerfor startups to sell products and services to the Government.

17,558 DPIIT recognised startups have been on-boarded on GeM and a total of over 1.89 lakh orders from public entities have been placed to the recognised startups with a cumulative value of over Rs. 11,703 crore as on 28th February 2023.

4.4.6 Faster Exit for Startups

Objective

To make it easier for Startups to wind up operations.

Status

Ministry of Corporate Affairs has notified Startups as "Fast track firms" enabling them towind up operations within 90 days vis-a-vis 180 days for other companies.

4.4.7 Funding Support through a Fund of Funds

Objective

To provide funding support for development and growth of innovation driven enterprises.

Status

The Government has established Fund of Funds for Startups (FFS) with corpus of Rs. 10,000 crore, to meet the funding needs of startups. DPIIT is the monitoring agency and Small Industries Development Bank of India (SIDBI) is the operating agency for FFS. The Fund of Funds does not directly invest in startups, instead provides capital to SEBI- registered Alternate Investment Funds (AIFs), known as daughter funds, who in turn invest money in growing Indian startups through equity and equity-linked instruments. Details are provided in ***Annexure-F****.*

As on 28th February 2023, Rs. 8,590 crore has been committed to 107 AIFs under FFS. Drawdown of Rs.3,655 has been released, which has helped catalyze investment of nearly Rs. 14,828 crore in 818 startups.

4.4.8 Credit Guarantee Fund for Startups

Objective

The objective of the Credit Guarantee Scheme for Startups (CGSS) is to create a Credit Guarantee Fund for Startups (CGFS) for providing credit guarantee up to a specified limit against loan extended by Member Lending Institution (MLI) to finance a Startup.

Status

The Government has notified the establishment of the Credit Guarantee Scheme for Startups (CGSS) in October 2022 for providing credit guarantees to loans extended to DPIIT recognized startups by Scheduled Commercial Banks, Non-Banking Financial Companies (NBFCs) and Venture Debt Funds (VDFs) under SEBI registered Alternative Investment Funds. CGSS is aimed at providing credit guarantee up to a specified limit against loans extended by Member Institutions (MIs) to finance eligible borrowers viz. DPIIT recognised startups.

4.4.9 Tax Exemption on Capital Gains

Objective

To promote investments into startups by mobilizing the capital gains arising from sale ofcapital assets.

Status

With an objective to provide relief to an individual or Hindu Undivided Family (HUF) willingto setup a start-up company, a provision was enabled under Section 54GB of the IncomeTax Act, 1961. The Section provides for an exemption from tax on long term capital gainsarising on account of transfer of a residential property if such capital gains are invested in subscription of shares of the eligible start-up subject to certain conditions.

4.4.10 Tax Exemption to Startups for 3 years

Objective

To promote the growth of Startups and address working capital requirements.

Status

The provisions of Section 80-IAC of the Income Tax Act provide for a deduction of an amount equal to 100% of the profits and gains derived from an eligible business by an eligible startup for 3 consecutive assessment years out of 10 years, at the option of the assesse, subject to certain conditions. Startups incorporated on or after 1st April 2016 but before 1st April 2023 can apply for income tax exemption. To avail these benefits, a startup must get a Certificate of Eligibility from the Inter-Ministerial Board (IMB).

1,173 startups have been granted certificate for recommendation for income tax exemptions as on 28th February 2023 under provisions of Section 80-IAC of the Income Tax Act.

4.4.11 Tax Exemption on Investments above Fair Market Value

Objective

To encourage seed-capital investment in Startups.

Status

DPIIT recognized startups are exempt from tax under Section 56(2)(viib) of the Income Tax Act when such a startup receives any consideration for issue of shares which exceeds the Fair Market Value of such shares.

As on 28th February 2023, declaration in Form 2 for claiming benefit under Section 56(2)(viib) of Income Tax Act, has been received and mailed to CBDT from 7,234 DPIITrecognized startups.

4.4.12 Organizing Startup Fests for Showcasing Innovation and Providing a Collaboration Platform

Objective

To galvanize the Startup ecosystem and to provide national and international visibility tothe Startup ecosystem in India.

Status

DPIIT has participated and organized various startup events. Some of such key events are as follows:

i. *Three workshops under State Ranking Framework were conducted in Hyderabad, Jaipur, and Shillong for State Representatives from September to November 2022*
ii. *Startup Showcase was organized at Film Bazaar under 53rd International Film Festival of India from 20th-24th November 2022.*
iii. *Workshop on Startups and Entrepreneurship, Vision India@2047 held on 18th*

and19th of November 2022

iv. *Startup workshops - ASCEND (Accelerating Startup Calibre & Entrepreneurial Drive), for the entrepreneurs, aspiring entrepreneurs, and students in the North-eastern states in November-December 2022*

v. *Virtual Roundtable on Regulatory issues pertaining to Flipping of Startups held in August 2022*

vi. *Fourth Meeting of National Startup Advisory Council*

vii. *Startup India Innovation Week' from 10th to 16th of January 2022. Key events organised during Startup India Innovation Week are as under:*

a. *Hon'ble Prime Minister's interaction with startups*
b. *Declaration of results of National Startup Awards 2021*
c. *Launch of Startup Champions 2.0 show on Doordarshan*
d. *Roundtable with Global Investors and domestic funds*
e. *Unveiling of National Rollout Strategy of Open Network for Digital Commerce Digital Strategy*
f. *Plenary sessions in collaboration with various line ministries anddepartments.*
g. *Launch of 'Fisheries Startup Grand Challenge' by Department of Fisheries*
h. *Pitching sessions and corporate connect programs for startups from across the country*

4.4.13 Launch of Atal Innovation Mission (AIM) with Self-Employment and TalentUtilization (SETU) Program

Objective

To serve as a platform for promotion of world-class Innovation Hubs, Grand

Challenges,Startup businesses and other self-employment activities, particularly in technology drivenareas.

Status

Atal Innovation Mission (AIM) is the Government of India's flagship initiative to promote aculture of innovation and entrepreneurship in the country and was setup in 2016. AIM hastaken a holistic approach to nurture a problem-solving innovative mindset among schoolchildren and create an ecosystem of entrepreneurship in universities, research

institutions, private sector and Micro, Small & Medium Enterprises (MSME). All the initiatives of AIM are currently being monitored and managed systematically using realtime MIS systems and through dynamic dashboards. Under AIM, following initiativesare being conducted:

- *Atal Tinkering Labs (ATLs)*
- *Atal Incubation Centres*
- *Atal Community Innovation Centres*
- *Atal New India Challenge*
- *Applied Research And Innovation In Small Enterprises–Atal New IndiaChallenge*
- *Mentor of Change (Mentorship and Partnerships - with Public, Privatesector, NGOs, Academia, and Institutions)*

4.4.14 Harnessing Private Sector Expertise for Incubator Setup

Objective

To ensure professional management of Government sponsored / funded incubators, Government will create a policy and framework for setting-up of incubators across the country in public private partnership.

Status

- *Atal Innovation Mission (AIM) has tasked with establishing and supporting world- class incubators. Under this initiative, AIM supports 59 greenfield AICs and nine established incubation centres (EICs).*
- *As self-reported by the incubators, over 2,600 startups have been incubated in theAICs/ EICs out of which more than 800 are women-led startups. More than 30,000jobs have been created by the startups incubated at the AICs/ EICs. More than 2,200 mentors have been mobilized to guide startups. More than 800 training programs have been conducted and more than 4,000 events have been held.*

4.4.15 Building Innovation Centres at National Institutes

Objective

To propel successful innovation through augmentation of incubation and R&D efforts.

Status

This initiative is coordinated by Department of Science and Technology and Ministry of Human Resource Development. 11 TBIs (Technology Business

Incubators) have been approved for which Rs. 42.23 crore have been sanctioned and Rs. 18.69 crore have beendisbursed to TBIs. 21 new TBIs (over and above 15 TBIs envisaged) and 5 Centres of Excellence (COEs) are proposed to be established.

4.4.16 Setting up of 7 New Research Parks

Objective

To propel successful innovation through incubation and joint R&D efforts between academia and industry

Status

This initiative is coordinated by Department of Science and Technology and Ministry of Human Resource Development. Five new Research Parks at IIT Delhi, IIT Guwahati, IIT Kanpur, IIT Hyderabad, and IISc Bangalore at a total cost of Rs.75.00 crore each have been approved by the Government. Approval has also been accorded for continuation of two already approved Research Parks at IIT Bombay and IIT Kharagpur at a cost of Rs.100 crore each. The Research Park at IIT Gandhinagar at a total cost of Rs.90 croreis being funded by the Department of Science & Technology.

4.4.17 Promoting Startups in the Biotechnology Sector

Objective

To foster and facilitate bio-entrepreneurship

Status

To promote innovations in biotechnology sector, the Department of Biotechnology, through Biotechnology Industry Research Assistance Council (BIRAC), supports

and nurtures startups in the Biotechnology sector. The major programmes are BioNEST Scheme (Bio incubators Nurturing Entrepreneurship for Scaling Technologies), Biotechnology Ignition Grant (BIG) schemes and Innovation Challenge-SoCH (Solutions for Community Health). BIRAC has also set up a dedicated Clean Energy International Incubation Centre (CEIIC) for supporting startups and technologies in clean energy area.

4.4.18 Innovation Focused Programs for Students

Objective

To foster a culture of innovation in the field of Science and Technology amongst students.

Status

- *Uchhatar Avishkar Yojana (UAY): UAY was announced in the IIT Council meetingwith a view to promoting innovation of a higher order that directly impacts the needs of the Industry and thereby improves the competitive edge of Indian manufacturing. The project envisages collaboration between the academia and industry – within or outside India.*
- *National Initiative for Developing and Harnessing Innovations (NIDHI) aims to nurture start-ups through scouting, supporting and scaling of innovations*
- *The INSPIRE 'Innovation in Science Pursuit for Inspired Research' (INSPIRE) Awards - MANAK (Million Minds Augmenting National Aspirations and Knowledge), being executed by DST with National Innovation Foundation – India(NIF), an autonomous body of DST, aims to*

motivate students in the age group of 10-15 years and studying in classes 6 to 10. The objective of the scheme is to target one million original ideas/innovations rooted in science and societal applications to foster a culture of creativity and innovative thinking among schoolchildren.

4.4.19 Annual Incubator Grand Challenge

Objective

To support creation of successful world class incubators in India.

Status

- *An "Incubator Grand Challenge" exercise has been carried out for identification of these incubators under the Established Incubation Centres (EIC) program of AIM.*
- *Atal Innovation Mission (AIM) has selected 16 incubators across the country to provide financial support through grants in aid and has already disbursed grantsworth ~Rs. 54.65 crore to 9 incubators.*

These incubators are being given Rs. 10 crore each as financial assistance which maybe used for ramping up the quality-of-service offerings.

4.5 Startup Process

Joseph Schumpeter, the greatest economist, described innovation as the process which enables economies from a static mode to path of dynamism. These necessitates to understand the facets of **Life Cycle of Startups** which passes through stages of Idea to Maturityor Exit with phases of launch, growth, shake-out, maturity and decline, like a business cycle passing through Sales,

Profit, Cash Flow etc. The analysis will throw light on factors in the emerging markets influencing the acceleration from early stage to growth stage and at the sametime what makes them to fail early or pre-mature scaling.

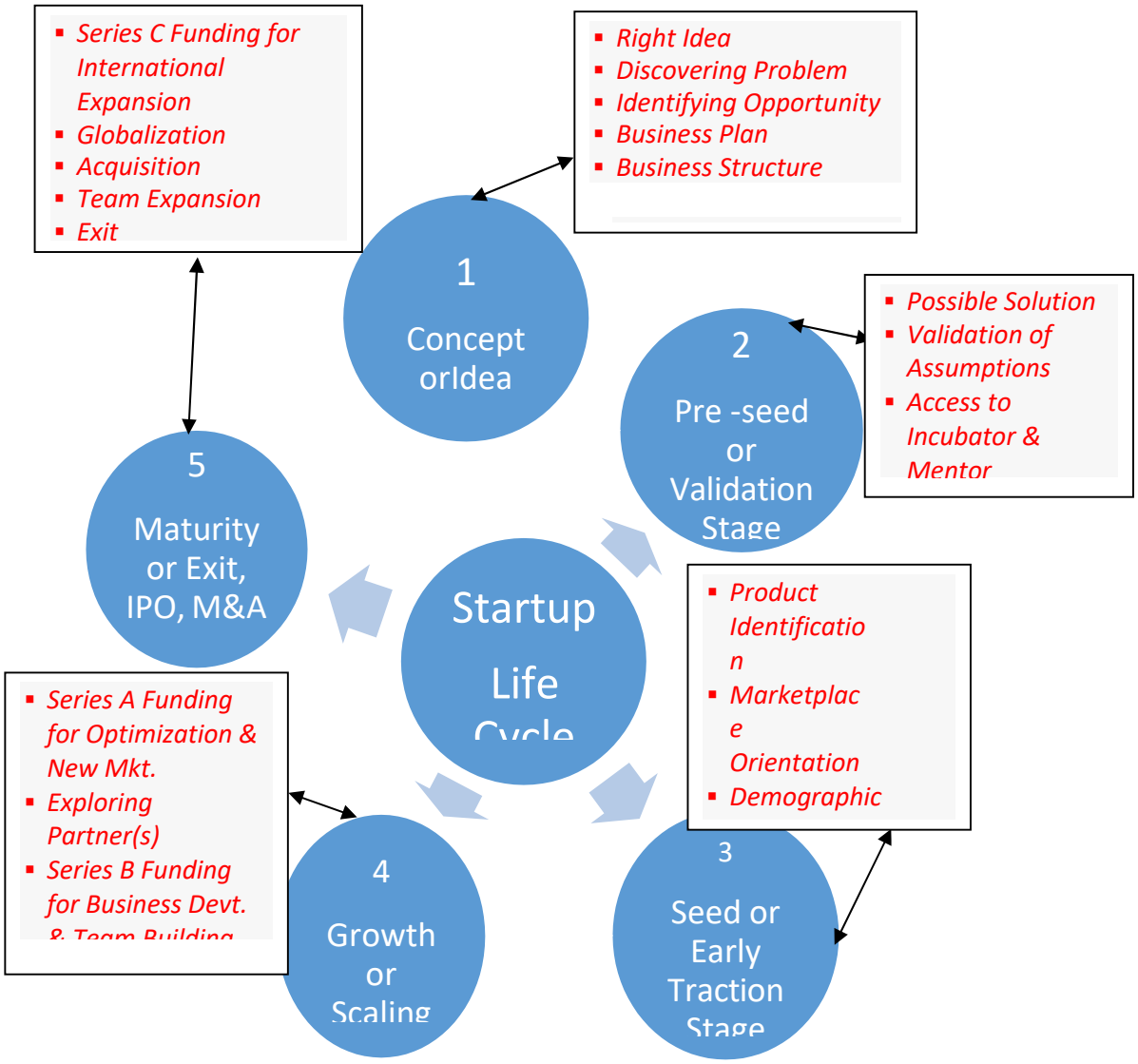

Figure 4.2 Startup Life Cycle

The emergence of Startups and Entrepreneurship in India could be understood from the message of the Honorable Prime Minister Mr. Modi speaking at the NASSCOM Technology and Leadership Forum (NTLF) where he encouraged *Startup Founders to set a global benchmark on excellence by creating world*

class products and not to simply restrict themselves to the extent of valuation and exit strategies. He further emphasized *to create Institutions that outlast this century*.

4.5.1 Stage-wise funding options for Startups

Study reveals that there is connotation between Funding Type, Startup Stage, type of investors and nature of Funds raised and could be viewed in the Table 4.2 below:

Table 4.2 'Stage-wise Funding Options'

Avg. Value Range in US$	**Type of Funding& Investor**	**Startups' Stage**	**Nature of Funds Raised**
	Angel funding Individuals/Angel Investors	*Early/Idea Stage* Provide mentorship to founders and early access to markets.	Seek funds for developing prototype of product/ service
	Seed Funding Individual investors and VCs	*Early/Idea stage*: Test & develop idea & require R&D funding	Seed funding to support Startup until it generates

10K–1M		(e.g., for Patents)	revenue.
	Pre-Series A Bridge between Individual and Institutional Investors	*Early Stage* with market traction looking for individual-bridge round	Focused on smaller cheques.
1M–5M	**Series A** Institutional & Individual Investors, may include corporate venture arm of large corporations	*Early Stage* Demonstrated traction ready to expand operations.	*First round.* Uses funds for CAPEX, working capital, expansion
3M upwards	**Series B** Institutional Investors, can include Individual Investors & VCs	*Early Stage* Demonstrated traction and needs to scale after demonstrating product market fit	*Second round.* For scaling after product market fit.
6M upwards	**Series C, D** Institutional Investors including VCs, PEs, Hedge Funds and Banks	*Growth Stage* Successfully running at scale & poised to expand. Buy out early investors with handsome returns.	Uses funds for CAPEX, Organic or Acquisition Growth.

15M upwards	**Series E, F, and beyond** Institutional Investors including VCs, PEs, Hedge funds, and Banks	Growth stage: well, established and successfully running at scale and maybe poised for IPO	Further expansion or increase valuation before IPO

Source: Compiled by the author from Startups.com, coporatefinanceinstitute.com & web data

4.6 Conclusion:

India is a young country with 37 crores of population between ages 16 to 59, and every year Lakhs of youths are being added to this number. It is virtually impossible to give them jobs and hence, the government of India, having understood this fact, has been promoting Startups in a big way, making many enabling regulations through various Ministries. India also has a centuries old tradition of Business families being successful in their enterprise, so much so that Family run businesses have been backbone of Indian economy and have performed better than professionally managed companies and could earn a respectable 14% annualized returns between January 2017 and January 2020 on the stock exchanges and a market capitalization close to INR 70 lakh crore and as data suggests contributing close to 80% of Indian GDP. It is logical them to understand the requirements of the Startups and provide handholding customized to them based on their industry and stage of Growth.

Chapter 5

Analysis and Interpretation

This chapter contains the analysis of responses obtained through the primary sources and results thereof to achieve the research objectives. The responses are studied, cross referenced with other responses and analyzed. The analysis is primarily based on primary data. As explained in the chapter 3, the data is obtained under two categories as under:

a. Personal Interaction with Startup Mentors/Incubators.

b. Case Study/Personal Interaction with founders of select Startup entities.

Accordingly, the analysis has been made in two different sections of this chapter.

5.1 Section - I

Personal Interaction with Shri Alok Agarwal, Part Time Member of Prasar Bharati, the Public Service Broadcaster of India: Member, Advisory Board- I-SEE Channel, AICTE and Managing Partner- The Growth Labs (Startup Mentor). Shri Agarwal works as an Innovation and Business Consultant, enabling companies to unlock untapped value and grow exponentially. He has helped a number of corporations and startups innovate their business and has conducted numerous Innovation challenges and hackathons. He has been a speaker on innovation at various prestigious forums.

As a media professional, he has earlier worked as Group COO at Network 18 and CEO at Zee Media. He has also been an advertising professional, having worked as COO of Cheil Worldwide (A Samsung Group Company) and agencies of the WPP Network.

An IIT Kanpur, IIM Bangalore and Wharton alumnus, he has led large corporations, startups, mergers, acquisitions and many successful brand launches.

Q . What do Mentors/Incubators look out for in a Startup?

A. The promise and potential of the idea, the problem which the Startup is trying to solve, it is the biggest and the most important item in a startup. Another factor is the Problem that the Startup is setting out to solve. Is the problem big enough and is the problem solvable? Next point to consider is the solution, whether the solution being attempted by the startup is strong. What is its potential and if the Startup is not supported by Government/NGOs, investors step in and take the risk if they see commercialization potential in it. The Investors are taking big risk as only one in 10-20 ideas eventually work out.

Q. What qualities and capabilities do Mentors/Incubators look for in Founders of Startups, who are more likely to get opportunities/funding from investors?

A. Since at the Inception, the startups are strapped for cash, it is important that it is the founder's who should be able to cover all the bases like technical aspects, business acumen, knowledge of rules and regulations in the industry they are operating. Further, the founders should be passionate, sincere, committed, should be willing for hard work and sacrifice. it is generally observed that funding is easily available to IIT/IIM and other prestigious college alumni.

Q. We have seen in India that business families have flourished and a big way traditionally as also in Contemporary times, like TATAs, Birlas, Bajajs, Kirloskars etc., do you think the family background of the founders matters for the success of a Startup Venture.

A. Most of the well known Startups, most unicorns, have been founded by first time entrepreneurs, mostly IIT/IIM Alumni, but it is also a fact that youngsters of well off business families join their family business to take it further, or some innovations in the same stream as their family business.

Q. In your assessment, what could be the reasons for failure of some Startups?

A. Startups is percentage business, competition is always there in any and every field and it is not the one who is first on the job, but the one that is best on the job who succeeds. The Food delivery Startup ecosystem is an apt example where only Swiggy and Zomato can be said to have tasted some success..

B. Another reason is the tendency of some 'super confident' founders to not listen to Mentors, Investors etc. For example the Mentors and Investors regularly give tasks to the Startup's team in order to polish and refine their product to make them fit for launch in the market, but some times the founders are too confident of their approach and do not listen to sane counsel.

C. Sometimes Startups have good technical solution in their hands but the business environment in their chosen field is very complex which they are unable to negotiate and this also leads to failure.

D. Some founders put 90% effort on their product and only 10% on customer needs, whereas, it should be the other way around, so such ventures also eventually fail if no course correction is done.

E. Sometimes sudden Government Policy changes sound a deathknell to the Startups, like the Crypto based Startups and some Fintechs.

Q. In your assessment, what could be some reasons for the success of Startups?

A. Due diligence on the part of the founders, sincerity, hardwork, Passion, Persistence, etc.

B. Differentiation of services, e.g. when ordering any product from Amazon, one is confident that in any case of dissatisfaction, there will be no issues in returns and refunds, whereas lots of complaints are there in Flipkart and so people prefer Amazon over FlipKart.
C. Trying to solve a problem that is too huge for them alone
D. Trying to solve some problem which cannot be commercialized.
E. Trying to solve some unsolvable problem.

Q. What items would you like to add to the DPIITs 19 point action Plan.

A. I deal with Startups who are very big and as such are not much dependant on Government. In Startups ecosystem in India, the private universe is much larger than the Government ecosystem. However some means of bringing Banking sector and credit to Startups should be considered.

Personal interaction with Shri Saurabh Mittal, Head of Leadership Development and coaching at Fractal Analytics; as a Startup Mentor, Saurabh has been a senior advisor and board member at Catalyst, the technology business incubator at Indian Institute of Technology (IIT), Mandi, since 2016. He is also on the board of technology solutions firm Arnetta Technologies India as well as a digital corporate spending-and-consumption marketplace, Antrepriz.

An alumnus of IIT Delhi, Saurabh attended Saïd Business School, University of Oxford, as a Chevening scholar. He has been president and strategic advisor at the Journal Server Trust, UK, and spent almost nine years at Wipro as the global practice head of customer experience, and the leader of business advisory services.

Q . What do Mentors/Incubators look out for in a Startup?

A. The product or solution being provided by the Startup should be Commercially viable. The idea or innovation should be solving a problem, whether local or for a bigger area. For example, we work in Himachal Pradesh and are looking for solutions regarding Healthcare, waste management, Disaster management, Clean Technology. Our Startup's Solutions should be workable in the entire Himalayan region, so there's plenty of scope for Scaling and growth. The Startup should be solving a problem, and as far as our concerns are there, there are several problems which need innovative solutions customized to the himalayan region.

Q. What qualities and capabilities do Mentors/Incubators look for in Founders of Startups, who are more likely to get opportunities/funding from investors?

A. Founders should be Focussed on their goals, and relentlessly strive for progress towards goals set by Mentors. Since our incubation center at IIT Mandi is oriented towards small Tech Business enterprises having limited capital, it is the founders who are responsible for everything and hence, apart from having a great product, they should have capability to tackle all aspects of entrepreneurship like tax compliances, accounting, meeting labor, environment, company law requirements, marketing, pitching with investors etc. It is preferred that the founders have some formal training in Entrepreneurship. Startups associated with our incubator "Catalyst" are mentored in this aspect by IIT Mandi's Associate Professor of Entrepreneurship, Dr. Puran Singh. Out of about

330 Startups that we have worked with, about 60 have closed and 34 Startups have scaled so much that we have invested in their equity.

Q. We have seen in India that business families have flourished in a big way traditionally, as also in Contemporary times, like TATAs, Birlas, Bajajs, Kirloskars etc., do you think the family background of the founders matters for the success of a Startup Venture?

A. Our incubator is dealing with youngsters from normal families and is not comparable to Tatas and Birlas, nevertheless, I would say that there is stability of Income in non Business families having employment in say Some Government or Public/Private sector corporate set up. The Business family youngster is aware of business cycles' ups and downs. They are also aware of the value of money and won't let their money lie idle. Even we prefer that our Startups have a little less money than required, so that they are always on their toes rather than complacent. A company with excess cash lying idle with no idea of how to utilize it would go bankrupt faster than one having less cash than its needs. Another advantage founders from Business families may have is networking and deeper understanding of the market. They also are able to avail small credits to sail through seasonal cash crunches etc. through their friends, known and family members.

Q. In your assessment, what could be the reasons for failure of some Startups?

A. I have seen 60 of our Startup closing and the major reason is that if there is a dispute amongst the founders, or an ego clash, then the business is sure to shut down.

B. Wrong problem identification is another reason why eventually a startup may fail.

C. Some founders are ‘Married’ to their solutions and the customer may not have the need for it, i.e. there is a Product-Market Fit mismatch.

D. Some founders are not competent to deal with compliance related and other non technical issues and had to give up due to frustration and helplessness.

E. Some founders have a closed mind and they do not listen to the Mentors/Incubators and end up making fatal mistakes and their Business becomes unsuccessful eventually.

Q. When can one say that a Startup is successful?

A. Definition of Success of a Startup depends on the Point of View. As an incubator, we say that a Startup is successful when it is able to take care of its needs on its own. For an Investor, a Startup is successful when he is able to make capital gains in orders of magnitude above their investments. For a customer Startup is successful if it is sustainable in all aspects viz. Operationally, financially, product quality and quantity. From a founder’s perspective if it successfully solves a problem while achieving his envisaged growth trajectory and becoming a commercially viable enterprise.

Q. What items would you like to add to the DPIITs 19 point action Plan?

A. Marketing support for Startups.

B. Credit facilities since banks do not give any loans to startups as they have no assets to keep as Collateral.

5.1.1 The findings of the personal Interactions

- The Startup mentors, Shri Alok Agarwal and Shri Saurabh Mittal were asked the questions regarding:
    - What do Mentors/Incubators look out for in a Startup?
    - What qualities and capabilities do Mentors/Incubators look for in Founders of Startups, who are more likely to get opportunities/funding from investors?
    - We have seen in India that business families have flourished in a big way traditionally, as also in Contemporary times, like TATAs, Birlas, Bajajs, Kirloskars etc., do you think the family background of the founders matters for the success of a Startup Venture?
    - In your assessment, what could be the reasons for failure of some Startups?
    - What items would you like to add to the DPIITs 19 point action Plan?

5.1.2 An analysis of the responses reveals the following:

- The Mentors and Incubators look at the promise and potential of the idea and the problem which the Startup is trying to solve and the commercial viability of the solution.
- Founders should be able to cover all the bases like technical aspects, business acumen, knowledge of rules and regulations in the industry they are operating. Further, the founders should be passionate, sincere, committed, should be willing for hard work and sacrifice.

- Most of the well known Startups, most unicorns, have been founded by first time entrepreneurs, mostly IIT/IIM Alumni, but it is also a fact that youngsters of well off business families join their family business to take it further, or some innovations in the same stream as their family business. However, founders from Business families may have an advantage with respect to networking and deeper understanding of the market. They also are able to avail small credits to sail through seasonal cash crunches etc. through their friends, known and family members. Also, a Business family youngster is aware of business cycles' ups and downs.
- The mentors agreed that product market fit mismatch and Founders not listening to the advice, guidance and counsel of the mentors often lead to failures.
- The Mentors suggested that Marketing support for Startups and Credit facilities to Startups should be added to the 19 point Action point of DPIIT.
- Shri Alok Agarwal informed that the Private Equity/Venture Capitalists have a much bigger ecosystem and is available to bigger Startups and it is much older and matured whereas DPIIT's 19 point Startup Action Plan has come much recently.

5.2 Section – II: Case study of select Startups

Interview of 7 Startup Founders (based on convenience sampling) was conducted and it is a prominently used qualitative research method (Mc Namara, 1999). For this purpose, a format was designed to obtain the experiences and observations of the select Startups. To maintain therespondents'

identity confidential, the researchers have been given code name as; A, B…., G. The seven Startup Founders interviewed were selected on the basis of convenience sampling. These entrepreneurs are from different kind of businesses. In table 6.18 the profile of entrepreneurs is given.

5.2.1 Profile of respondents.

Table 5.18 Summary of Profile of Startups

Name	Name of the Entity	Nature of Business
A	cyberstanc	Manufacturing
B	eGyanam Technologies Pvt Ltd	IT/Telecom
C	Finlock Technologies	*Fintech*
D	Foyr	IT/Telecom
E	OG Hemp Pvt Ltd	Agriculture
F	Appletree Health Products	Wellness
G	SAR Cellulabs Pvt. Ltd.	Manufacturing

5.2.2 Interview responses

All the respondents were male entrepreneurs. The details of individual cases are described inthe following tables.

Table 5.1 Startup Case Study

Name of the Respondent: A

Sl. No.	Parameter (s)
1	**Could you give a brief about your startup, covering Name, year of inception and recognition from DPIIT, current stage of your startup, Approximate Turnover of last twelve months, funding details and its performance.**

Our Startup is called Cyberstanc, whose Inception was in the year 2019, and it gained recognition as a Startup from DPIIT on 20th October, 2021. Ours is a Profit making Startup in Scaling stage in manufacturing sector with last twelve months turnover of about Rs 50crores. Founders have contributed Rs. 80 Lakhs and in 2022 we also got Grants-in-aid funding for expanding to next level.

2	**Your name and educational qualifications total number of founders and if they trained to cover other essential elements of managing startups?**

I am Rohit Bankoti, COO of cyberstanc, I am an Engineering Graduate and undergone training regarding anlysing the environment and competitive advantage, Company Registration matters, permits and compliances as well as pitching and funding process.

3 **Is there anyone from Business family background and in your view if it matters and importance of having self/family capital, or some regular income?**

I started this Startup solely on my own and I am not from a Business family. I think these things don't matter much.

4 **How much useful is the Startup India Hub and App. What you utilized it for?**

I don't visit it for months as I don't find it of much use.

5 **Do you find handholding for fast tracking of IPRs and other self certification based compliance regime useful?**

For patents, I tried long back and the patent is still awaited. Self certification also I attempted but gave up without much result.

6 **Could you make use of the credit guarantee scheme under Startup India Action Plan?**

No. I have applied for loan but loan is still awaited.

7 **Could you make use of the various Tax exemptions facilities under Startup India Action Plan?**

I have started availing 3 years Tax exemption for Startups. I will try to use Section 56(2)(VIIB) if required in future.

8 Do you find Startup Incubators aiding your Startup journey in a positive way?

Yes they are essential for guidance and handholding. The overall ecosystem is also favourable for Startups.

9 Could you make use of the Innovation Centers at National Institutes and Research Parks at IITs created under Startup India Action Plan?

Utilised Innovation centers to some extent initially but not Research parks.

10 How important is the Marketing access to customers in the success of your startup?

Marketing and customer access is very important in my field where I found great difficulty. If I had support, I would have done much better.

11 Based on your eventful journey in the Startup environment, please relate the typical challenges in your field and give suggestions which you need for further improving the Startup ecosystem in your field(Policy level issues at central Government level).

Marketing and Networking are the two main stumbling blocks. More thought is required by the Government here.

Name of the Respondent: B

Sl. No.	Parameter (s)
1	**Could you give a brief about your startup, covering Name, year of inception and recognition from DPIIT, current stage of your startup, Approximate Turnover of last twelve months, funding details and its performance.**

Our Startup is called eGyanam Technologies Private Limited, whose Inception was in the year 2017, and it gained recognition as a Startup from DPIIT on 8th February, 2017. Ours is a Profit making Startup in Early traction stage in IT/Telecom sector with last twelve months turnover of about Rs 25 Crores. Founders have contributed Rs. 100 Lakhs and in we also got seed money for funding for expanding to next level.

2	**Your name and educational qualifications total number of founders and if they trained to cover other essential elements of managing startups?**

I am Sudeep Saxena, Director of the Company, I am an Engineering Graduate and an MBA and hence am well versed in tackling various issues related to running companies, following various government regulations. My MBA background helped a lot for non technical

issues.

3 **Is there anyone from Business family background and in your view if it matters and importance of having self/family capital, or some regular income?**

Both the founders of my Startup are from non business family and I wish we had someone from Business family also. Startups is Risky and uncertain business, so accumulated capital, regular source of Income etc. ease out the anxiety for entrepreneurs.

4 **How much useful is the Startup India Hub and App. What you utilized it for?**

I do visit the site frequently to make use of its facilities.

5 **Do you find handholding for fast tracking of IPRs and other self certification based compliance regime useful?**

I didn't need these facilities.

6 **Could you make use of the credit guarantee scheme under Startup India Action Plan?**

Not useful. I have applied for loan but loan is still awaited.

7 **Could you make use of the various Tax exemptions facilities under Startup India Action Plan?**

I have not utilized any such things as I think that they may be too tedious to waste time on.

8 **Do you find Startup Incubators aiding your Startup journey in a positive way?**

Yes they have helped me a lot by guidance and mentoring, networking, providing various facilities by way of innovation centers. The overall ecosystem is also needed and also should be scaled up.

9 **Could you make use of the Innovation Centers at National Institutes and Research Parks at IITs created under Startup India Action Plan?**

Utilized the Innovation center facility a lot. Didn't require Research parks facility.

10 **How important is the Marketing access to customers in the success of your startup?**

Marketing and customer access is quite important in my field and I found great difficulty. I think I needed more networking facility.

11 **Based on your eventful journey in the Startup environment, please relate the typical challenges in your field and give suggestions which you need for further improving the Startup ecosystem in your field(Policy level issues at central Government level).**

Funding requirements are sorely being missed and may prove critical for moving to the next stage.

Name of the Respondent: C

Sl. No.	Parameter (s)
1	**Could you give a brief about your startup, covering Name, year of inception and recognition from DPIIT, current stage of your startup, Approximate Turnover of last twelve months, funding details and its performance.**

I am Co-founder of Finlock Technologies, incepted in 2021 and it recognized as a Startup from DPIIT on 16th March, 2021. Finlock is a Fintech company which has made break even and is in early traction stage. Last twelve months turnover is approximately Rs. 25 Crore. Founders have contributed Rs. 40 Lakhs and in 2022 we recently got seed funding from IIM Calcutta Innovation Fund in March 2022.

2	**Your name and educational qualifications total number of founders and if they trained to cover other essential elements of managing startups?**

My name is Sachin Aggarwal and I Co-founded Finlock Technologies. I did my Mechanical Engineering from IIT BHU and MBA from

Georgetown University. I am comfortable with other essential items, except, having done MBA from abroad I find it has not prepared me for Company Registration matters, permits and compliances etc. which are an issue in India.

3 **Is there anyone from Business family background and in your view if it matters and importance of having self/family capital, or some regular income?**

My startup's founders come from non-business backgrounds, and I sometimes wish we had someone from a business family on board as well. As our startup is a small, its revenue stream is unpredictable, hence, having access to accumulated capital and a regular source of income can help alleviate some of the anxiety that comes with being an entrepreneur.

4 **How much useful is the Startup India Hub and App. What you utilized it for?**

I do visit the site often to make use of its facilities and networking purposes.

5 **Do you find handholding for fast tracking of IPRs and other self certification based compliance regime useful?**

I don’t need such facilities at this stage.

6 **Could you make use of the credit guarantee scheme under Startup India Action Plan?**

No.

7 Could you make use of the various Tax exemptions facilities under Startup India Action Plan?

I have not availed yet.

8 Do you find Startup Incubators aiding your Startup journey in a positive way?

Yes they have provided me seed capital, access to gadgets and devices, software mentoring handholding etc. They are vital to small startups like mine.

9 Could you make use of the Innovation Centers at National Institutes and Research Parks at IITs created under Startup India Action Plan?

We have utilized Innovation centers and Research park facilities.

10 How important is the Marketing access to customers in the success of your startup?

Marketing and customer access is most important in my field where I found great difficulty.

11 Based on your eventful journey in the Startup environment, please relate the typical challenges in your field and give suggestions which you need for further improving the Startup ecosystem in your field(Policy level issues at central Government level).

Please continue your valuable work of supporting startups/organizations like ours to contribute to the betterment of society..

Name of the Respondent: D

Sl. No.	Parameter (s)
1	**Could you give a brief about your startup, covering Name, year of inception and recognition from DPIIT, current stage of your startup, Approximate Turnover of last twelve months, funding details and its performance.**

Our venture is called Foyr, whose Inception was in the year 2015, and it gained recognition as a Startup from DPIIT on 25th March, 2016. Foyr initially led to failure but has been revived and now is a Profit making Startup in Scaling stage in IT/Telecom sector with last twelve months turnover of about Rs 100 Crore. Founders have contributed Rs. 100 Lakhs and received VC funding from 2015 to 2019 for expanding to next level.

2	**Your name and educational qualifications total number of founders and if they trained to cover other essential elements of managing startups?**

I'm Shailesh Goswami, CEO of Foyr, a graduate of IIT Delhi, and I

have an MBA. I am confident with all other necessary things, but despite having MBA, I find that it did not adequately prepare me for Indian company registration issues, permits, and compliances, among other things.

3 Is there anyone from Business family background and in your view if it matters and importance of having self/family capital, or some regular income?

I started this Startup solely on my own and I am from a Business family. I do think having alternate regular income and accumulated capital helps when one is into Entrepreneurships/Startups.

4 How much useful is the Startup India Hub and App. What you utilized it for?

I don't visit it for months as I don't find it of much use.

5 Do you find handholding for fast tracking of IPRs and other self certification based compliance regime useful?

For patents, I tried long back and the patent is still awaited. Used some facilities of Self certification though.

6 Could you make use of the credit guarantee scheme under Startup India Action Plan?

No. I have applied for loan but loan is still awaited.

7 Could you make use of the various Tax exemptions facilities under

Startup India Action Plan?

I will try in future as I don't require right now.

8 **Do you find Startup Incubators aiding your Startup journey in a positive way?**

Yes I strongly feel that Funding Support, Incentives, Tax Breaks, Industry-Academia Partnerships etc, the whole ecosystem definitely impacts positively.

9 **Could you make use of the Innovation Centers at National Institutes and Research Parks at IITs created under Startup India Action Plan?**

Utilised Innovation centers to some extent initially but not Research parks.

10 **How important is the Marketing access to customers in the success of your startup?**

Marketing and customer access is most important in my field. This needs greater focus in the government policy.

11 **Based on your eventful journey in the Startup environment, please relate the typical challenges in your field and give suggestions which you need for further improving the Startup ecosystem in your field(Policy level issues at central Government level).**

Easy credit or loans to loss making startups. Currently still no loans are available to Startups as they are loss making. Better city Infra… all cities have to become more livable.

Name of the Respondent: E

Sl. No.	Parameter (s)
1	**Could you give a brief about your startup, covering Name, year of inception and recognition from DPIIT, current stage of your startup, Approximate Turnover of last twelve months, funding details and its performance.**

Our Company's name is OG Hemp Private Limited, it is in Agriculture sector and its Inception was in the year 2020, got recognized as a Startup from DPIIT on 11th November, 2021. Our Startup led to early failure and is making losses. It is in Early traction stage with last twelve months turnover of about Rs 25 Lakh. Founders have contributed Rs. 50 Lakhs and had received Grants in Aid in the year 2022.

2	**Your name and educational qualifications total number of founders and if they trained to cover other essential elements of managing startups?**

I'm Shailesh Ganeriwala, founder CEO of the company, I am a graduate in Business Administration. The founders were trained to deal

with all other necessary things, except permits and IPRs.

3 **Is there anyone from Business family background and in your view if it matters and importance of having self/family capital, or some regular income?**

Out of three founders, two are from Business families and I strongly feel that it helps one become better entrepreneur and deal with setbacks etc. like in our case. Further, having accumulated capital helps when one is into Entrepreneurships/Startups.

4 **How much useful is the Startup India Hub and App. What you utilized it for?**

I don't visit it for months as I don't find it of much use.

5 **Do you find handholding for fast tracking of IPRs and other self certification based compliance regime useful?**

For both self certifications and patents facility, I tried but have not succeed even after passage of a long time.

6 **Could you make use of the credit guarantee scheme under Startup India Action Plan?**

No. I applied for loan but loan long back and is still awaited.

7 **Could you make use of the various Tax exemptions facilities under Startup India Action Plan?**

I will try in future as I don't require right now.

8 Do you find Startup Incubators aiding your Startup journey in a positive way?

Yes I strongly feel that Funding Support, mentoring and handholding definitely impacts positively. I am now associated with Catalyst at IIT Mandi and trying to follow their guidance.

9 Could you make use of the Innovation Centers at National Institutes and Research Parks at IITs created under Startup India Action Plan?

Utilised Innovation centers to some extent but not satisfied. Did not require Research park facility.

10 How important is the Marketing access to customers in the success of your startup?

It may be one of the several factors, but main issue for us was funding.

11 Based on your eventful journey in the Startup environment, please relate the typical challenges in your field and give suggestions which you need for further improving the Startup ecosystem in your field(Policy level issues at central Government level).

There should be a single window to hear out the startup policy level requirements and take it on priority level basis as the problem which the startup is solving is not only their problem but everyone's problem. So a startup should be handhold with special privileges.

Name of the Respondent: F

Sl. No.	Parameter (s)
1	**Could you give a brief about your startup, covering Name, year of inception and recognition from DPIIT, current stage of your startup, Approximate Turnover of last twelve months, funding details and its performance?**

Our Startup's name is Appletree Health Products, it is in Wellness sector and its Inception was in the year 2022, recently recognized as a Startup from DPIIT on 16th November, 2022. Our Startup is at a position of "No profit No Loss". It is at Scaling stage and progressing with last twelve months turnover of about Rs 12 Crore. Founders have contributed Rs. 10 Lakhs and had received Grants in Aid in the year 2022.

2	**Your name and educational qualifications total number of founders and if they trained to cover other essential elements of managing startups?**

I'm Shezad, Co-founder of Appletree Health Products company, I am a Post-graduate in Business Administration. The founders have professional qualifications to take care of managing enterprises in India.

3	**Is there anyone from Business family background and in your view if**

it matters and importance of having self/family capital, or some regular income?

One founder is from Business family and it has served us well. Family support with Cash and regular income is always welcome and can be depended upon in case of any crisis.

4 How much useful is the Startup India Hub and App. What you utilized it for?

I don't visit it often. Used for DPIIT's recognition as startup, not much beyond that.

5 Do you find handholding for fast tracking of IPRs and other self certification based compliance regime useful?

We availed Self certifications facility but did not require patent.

6 Could you make use of the credit guarantee scheme under Startup India Action Plan?

I applied for loan and got in about the same time. No special favour or fasttracking was observed.

7 Could you make use of the various Tax exemptions facilities under Startup India Action Plan?

I will try in future as I don't require right now.

8 Do you find Startup Incubators aiding your Startup journey in a positive

way?

Yes I strongly feel that Funding Support, mentoring and handholding definitely impacts positively.

9 **Could you make use of the Innovation Centers at National Institutes and Research Parks at IITs created under Startup India Action Plan?**

Did not require such facility at present, will see in future.

10 **How important is the Marketing access to customers in the success of your startup?**

In my Industry with so much competition, customer access and marketing is the most important issue.

11 **Based on your eventful journey in the Startup environment, please relate the typical challenges in your field and give suggestions which you need for further improving the Startup ecosystem in your field (Policy level issues at central Government level).**

Marketing linkages… for any manufacturer that's one thing which is of paramount importance, and state should encourage and push handhold for the same.

Name of the Respondent: G

Sl. No.	Parameter (s)
1	**Could you give a brief about your startup, covering Name, year of inception and recognition from DPIIT, current stage of your startup, Approximate Turnover of last twelve months, funding details and its performance.**

Our Company's name is SAR Cellulabs Private Limited, it is in Manufacturing sector and its Inception was in the year 2020, got recognized as a Startup from DPIIT on 14th October, 2020. Our Startup is progressing well and is at present neither making profits nor any losses. It is in Early traction stage with last twelve months turnover of about Rs 2.5 Crore. Founders have contributed Rs. 22 Lakhs and had received VC funding in the year 2022.

2	**Your name and educational qualifications total number of founders and if they trained to cover other essential elements of managing startups?**

I'm Anil Kumar Hota, Consultant and founder of the company, I am B Tech(Biotech) and graduate in Business Administration. The founders were trained to deal with all other necessary things, except permits and IPRs.

3 Is there anyone from Business family background and in your view if it matters and importance of having self/family capital, or some regular income?

All three founders are from non Business families and I feel that it would have helped if even one of us was from Business background. Further, having cash in the bank and a regular income coming in is most welcome as it frees the businessman from day to day tension related to family well being.

4 How much useful is the Startup India Hub and App. What you utilized it for?

I visit it infrequently as I don't find it of much use.

5 Do you find handholding for fast tracking of IPRs and other self certification based compliance regime useful?

We tried availing Self certifications but could not succeed. We did not require patent.

6 Could you make use of the credit guarantee scheme under Startup India Action Plan?

No. I applied for loan but loan long back and is still awaited.

7 Could you make use of the various Tax exemptions facilities under Startup India Action Plan?

I will try in future as I don't require right now.

8 **Do you find Startup Incubators aiding your Startup journey in a positive way?**

Yes I strongly feel that Funding Support, mentoring and handholding definitely impacted my venture positively.

9 **Could you make use of the Innovation Centers at National Institutes and Research Parks at IITs created under Startup India Action Plan?**

Did not require such facilities.

10 **How important is the Marketing access to customers in the success of your startup?**

It is definitely one of the more important factors.

11 **Based on your eventful journey in the Startup environment, please relate the typical challenges in your field and give suggestions which you need for further improving the Startup ecosystem in your field(Policy level issues at central Government level).**

Handholding and support to startups who come up with right dream and ambitions and create jobs also and face challenges but at end are on hand of vultures to eat them away. Government help can build the ecosystem far better than the private setups working on acquisition of other ideas to make their dreams

Source: Data collected from Respondent Entrepreneurs by the Researcher

5.2.1 The Finding of the Case Study

5.2.1.1 The information on the prescribed format was collected from 7 Startups where the entrepreneurs and promoters were asked their opinion and experiences on the followingparameters related to their Startup.

a) How much useful is the Startup India Hub and App. What you utilized it for?

b) Do you find handholding for fast tracking of IPRs and other self certification based compliance regime useful?

c) Could you make use of the credit guarantee scheme under Startup India Action Plan?

d) Could you make use of the various Tax exemptions facilities under Startup India Action Plan?

e) Do you find Startup Incubators aiding your Startup journey in a positive way?

f) Could you make use of the Innovation Centers at National Institutes and Research Parks at IITs created under Startup India Action Plan?

g) How important is the Marketing access to customers in the success of your startup?

h) Suggestions they will like to offer for betterment

An analysis of the responses reveals the following:

i. All the Startups were either in Early Traction or Scaling stage of their Startup journey, only one was incurring loss while others were either Break-even or in Profit. All had obtained some kind of funding, viz. Seed Money, Grants in Aid, Loan from Bank and Angel Investor funding. They were from sectors like IT/Telecom, Manufacturing, Agriculture, Fintech and Wellness.

ii. Majority of the founders agreed that it is advantageous if at least one founder is from Business family. However, most of the responding founders were from non business families themselves. Out of the total number of 14 founders and Co-founders of the seven Startups interviewed, only 4 were from Business families.

iii. Majority of the founders agreed that it is advantageous to possess professional qualifications or having done some training course to deal with aspects peculiar to Startups, like Idea Validation (Identifying and assessing an Idea, Analyzing the Environment and competitive advantage), Finance and Legal issues (Company Registration, permits, Compliances, IPRs) and Pitching and Funding (Funding and Valuation, and Pitching and Funding process). The responses showed that they were trained to deal with most aspects of Startups except permits and IPRs. Hence, permits and IPRs seem to be a region where policy makers can focus for providing input to entrepreneurs.

iv. The majority of the entrepreneurs agreed that it is advantageous to have some regular income coming in monthly or have some accumulated capital from family or self acquired.

v. This is alarming to observe that majority of founders did not visit Startup India Hub/App after getting DPIIT registration. This is 'the' pivot point of DPIIT mandated Startup ecosystem, where all networking etc. were supposed to take place.

vi. It is disheartening that none of the Startups who tried to get Patents have succeeded thus far.

vii. Similarly, it is disheartening that majority of the Startups who tried to get loans have not succeeded thus far.

viii. It is interesting to note that even though none of the respondents disagreed with the view that various Tax exemptions to Startups shall help in their promotion, only one has actually succeeded in availing any of the Tax related facilities.

ix. All the Startups agreed to the view that the three pillars of the 19 point Startup India Action Plan launched by DPIIT, viz. Simplification and Handholding, Industry-Academia Partnership, and Funding Support and Incentives, will help impel their Startup to a faster growth trajectory. Majority agreed to the view that growth of Startup incubators in the Startup ecosystem have provided several options to them and thus positively impacted their Startups.

x. It is observed that the research park facility has been utilized by only one Startup and Innovation centre at National Institutes has been utilized

satisfactorily by three responding Startups.

xi. Access to customers and Marketing and Sales have been deemed to be very important by almost all respondents.

xii. Among various suggestions, Marketing linkages and networking and easy credit or loan and funding facility have been requested by most of the Startups. Some formal single window grievance redressal and suggestion mechanism/portal for policy level issues has been suggested by one Startup. Similarly, closer handholding and support has been requested by one other Startup.

5.3 Conclusion

5.3.1 The analysis made related to response received during the interview of the two Startup mentors reveals that promise and potential of the idea, the problem which the Startup is trying to solve and the commercial viability of the solution determine their choice of Startup. The founders should possess requisite qualifications entrepreneurial training to take care of challenges expected in Startups. The mentors agreed that product market fit mismatch and Founders not listening to the advice, guidance and counsel of the mentors often lead to failures. Experts proffered that most Startup Founders are from non business families as it was expected that business family youngsters would join their family enterprise, however, presence of a founder from Business family would definitely improve the chances of a Startup. Further, one mentor informed that the Private Equity/Venture Capitalists have a much bigger ecosystem and is available to bigger Startups and it is much older and matured whereas DPIIT's 19

point Startup Action Plan has come only recently.

5.3.2 The case study analysis of seven start-ups reveals that majority of the founders agreed that it is advantageous if at least one founder is from Business family. Majority of the founders agreed that it is advantageous to possess professional qualifications or having done some training course to deal with aspects peculiar to Startups, The responses showed that they were trained to deal with most aspects of Startups except permits and IPRs. Hence, permits and IPRs seem to be a region where policy makers can focus for providing input to entrepreneurs. They agreed that it is advantageous to have some regular income coming in monthly or have some accumulated capital from family or self acquired. Majority of founders did not visit Startup India Hub/App after getting DPIIT registration. The credit facilities, IPR handholding facility, Tax exemptions etc. which form the major chunk of the Startup India Action Plan has failed miserably and none of the responding Startups could actually utilize any such facility. However, all the founders have expressed their optimism that the Startup Ecosytem created through the 19 point Startup India Action Plan would impact their Startup positively. Startups are unable to utilize much the Research park and innovation centre facilities. Among various suggestions, Marketing linkages and networking and easy credit or loan and funding facility have been requested by most of the Startups. Some formal single window grievance redressal and suggestion mechanism/portal for policy level issues has been suggested by one Startup. Similarly, closer handholding and support has been requested by one other Startup.

Chapter 6

Findings and Recommendations

6.1 Background

The impact of new firms on innovation trajectories and the economy itself is a prominent phenomenon in the contemporary economy. In assessing the performance of startups in India, it is important to consider the historical backgrounds and frameworks that have influenced not only their performance, but also their existence. Factors such as the founding of startups, funding, and growth patterns reveal certain observations about the startup ecosystem. The appraisal also considers the global perspective and helps to identify key areas that support the growth trajectory of startups.Landmark changes, such as the advent of IT, Telecom, and dot-com sectors, followed by the internet, have created numerous opportunities for startups. Joining the global platform in various areas has further accelerated this growth trajectory, which has been bolstered by initiatives such as Startup India. The need for sustainable business models has also been realized, further highlighting the importance of startups in the economy.

For many years, entrepreneurship in India has had a significant impact on various communities. Historically, family-run businesses have outperformed professionally managed companies, contributing to almost 80% of Indian GDP with annualized returns of 14% even after a century.

The Indian startup ecosystem, entrepreneurial culture, and institutional mechanisms have undergone a significant paradigm shift. This transformation can be traced from the Industrial Policy Resolutions era to the establishment of public sectors and the Planning Commission, and now to the NITI Aayog and the Startup India Mission.

The year 1980 marked a turning point in India, and the subsequent years brought about numerous revolutionary changes that paved the way for entrepreneurship and technological advancements. The decade from 2010 to 2020 was particularly noteworthy, as it witnessed several innovative developments such as the exclusive mechanism of Startup India in 2016. Additionally, there were several changes made to the scope of Tiny, Small, and Medium-sized sectors, including startups based on investment and turnover criteria. These changes have encouraged many youths to pursue entrepreneurship.

The founders of an organization have a significant role to play in determining whether the entity will be successful or a failure. It is important for founders to understand the dynamics of the business and to synchronize their personal goals with those of the organization. This alignment is critical to the success of the entity.

6.2 Section - I

6.2.1 Findings related to the background and capabilities of startup founders in India

The majority of the founders concurred that it is advantageous for at least one of the founders to be from the Business family. However, the majority of responding founders came from non-business families. Only four of the fourteen founders and co-founders of the seven interviewed startups came from business families.

Mentors indicated that the majority of well-known startups, as well as the majority of unicorns, were founded by first-time entrepreneurs, primarily IIT/IIM Alumni, but it is also true that youngsters of wealthy business families join their family business to expand it, or create innovations in the same field. However, entrepreneurs from business families may have an advantage in terms of networking and market comprehension. Through their peers, acquaintances, and family members, they are

also able to obtain modest loans to assist with seasonal cash shortages, etc. Additionally, a Business family child is aware of the ups and downs of business cycles.

In a study by Donald A. Duchesneau and William B. Gartner (1990), it was found that successful entrepreneurs had a family history of entrepreneurship, a personal commitment to the business, and a clear understanding of the market and how to adapt to adverse situations, resulting in greater market share and higher returns than less successful or failed firms.

Veronica Gustafsson (2004) investigated decision-making in the entrepreneurial process and discovered that experienced entrepreneurs adapt their decision-making techniques to the nature of the task, whereas novice entrepreneurs lack this ability to a degree that can be acquired.

The majority of the entrepreneurs agreed that it is advantageous to have some regular income coming in monthly or have some accumulated capital from family or self acquired.

Mentors indicated that founders should have a comprehensive understanding of technical aspects, business acumen, and industry-specific rules and regulations. In addition, the proprietors must be passionate, sincere, committed, and willing to work hard and make sacrifices.

The majority of founders agreed that it is advantageous to have professional qualifications or to have completed a training course in order to deal with aspects unique to startups, such as Idea Validation (identifying and evaluating an idea, analysing the environment and competitive advantage), Finance and Legal issues (company registration, permits, compliances, intellectual property rights), and Pitching and Funding (Funding and Valuation, and Pitching and Funding process).

The responses indicated that they were instructed to deal with the majority of aspects of startups with the exception of permits and intellectual property rights. Permits and intellectual property rights appear to be an area where policymakers can provide input to entrepreneurs.

6.3 Section - II

6.3.1 Findings related to the points in Startup India Action Plan which could not make desired impact.

All the Startups agreed to the view that the three pillars of the 19 point Startup India Action Plan launched by DPIIT, viz. Simplification and Handholding, Industry-Academia Partnership, and Funding Support and Incentives, will help impel their Startup to a faster growth trajectory. Majority agreed to the view that growth of Startup incubators in the Startup ecosystem have provided several options to them and thus positively impacted their Startups.

This is alarming to observe that majority of founders did not visit Startup India Hub/App after getting DPIIT registration. This is 'the' pivot point of DPIIT mandated Startup ecosystem, where all networking etc. were supposed to take place.

It is disheartening that none of the Startups who tried to get Patents have succeeded thus far.

Similarly, it is disheartening that majority of the Startups who tried to get loans have not succeeded thus far.

It is interesting to note that even though none of the respondents disagreed with the view that various Tax exemptions to Startups shall help in their promotion, only one has actually succeeded in availing any of the Tax related facilities.

It is observed that the research park facility has been utilized by only one Startup and Innovation centre at National Institutes has been utilized satisfactorily by three responding Startups.

Shri Alok Agarwal, Startup Mentor, informed that the Private Equity/Venture Capitalists have a much bigger ecosystem and is available to bigger Startups and it is much older and matured whereas DPIIT's 19 point Startup Action Plan has come much recently.

6.4 Section - III

6.4.1 **Findings related to some unmet needs of the Startups in India.**

Access to customers and Marketing and Sales have been deemed to be very important by almost all respondents.

Among various suggestions, Marketing linkages and networking and easy credit or loan and funding facility have been requested by most of the Startups. Some formal single window grievance redressal and suggestion mechanism/portal for policy level issues has been suggested by one Startup. Similarly, closer handholding and support has been requested by one other Startup.

The Mentors suggested that Marketing support for Startups and Credit facilities to Startups should be added to the 19 point Action point of DPIIT.

SIDBI (2019) conducted a study on private investing driven by Venture Capitals and expressed concern that funding remains a serious challenge in India. Better participation of private investment stakeholders would improve the VC ecosystem and

bridge the gap between early-stage funding by VCs and late-stage funding by Private Equity (PE).

Shivani Pandita's (2017) research on financial problems faced by startups, such as working capital, profit margins, late payments affecting liquidity, improper funding options, unplanned sales promotions, and risk tolerance, shows that financial stability with liquidity and control plans in place and proper budgeting helps in the viability of startups.

Iwasiuk (2016) also observes that inadequate funding is a significant problem faced by most new tech startups, and if not addressed in time, it could lead to potential failures.

Studies by Mittal (2014) and Truong (2016) reveal that finance's availability is often a challenge for entrepreneurs, especially in the initial stages. Availability of adequate credit poses serious challenges to them to survive and sustain.

Augustin Landier and David Thesmar (2006), considering funding requirements and entrepreneurial preferences on debt based on data from some French entrepreneurs, found substantial heterogeneity in their study, indicating differences in beliefs exist, and short-term debt is preferred due to optimistic entrepreneurial beliefs in Financial Contracting.

In 2020, the British Business Bank emphasized the importance of connecting with customers and proper marketing to familiarize a brand with features, positioning it to reach the target audience and support sales. They noted that entrepreneurs need to keep marketing at the heart of their business and prioritize customer feedback for retention.

6.5 Section - IV

Conclusions and Suggestions

Startups are going to be one of the ways to gainfully employ the burgeoning youth of the Nation, but the scarcest quantity with respect to this solution to country's unemployment problem and growth aspiration is Capital. Further, the most important factor in success of a Startup is the Founder. Although several studies are there which have studied the founders motivation psychology, personality traits etc., but these items are not manifest and Startup Incubators and Alternate Investment funds, Private equity and Angel Investors may not learn of these traits until it is too late. However, there are some items which are manifest, infact, available in the CV of the founder itself and some will be told if asked, and if some conclusion can be drawn from a study of these items, it can aid in increasing the chances of success of the Startup. From the discussions in various parts of this report, we see that:

6.5.1 It is advantageous to the Startup if even one of the founders is from Business family, although, youngsters from Business families prefer to join family business and hence most of the Startup founders are first time entrepreneurs. The Incubators/Mentors/AIFs/VCs/PEs have wide networks and pool of talent. They should strive to introduce such people as founders where the Startup in question lags in this aspect. It will increase the success outcome of the Startups.

6.5.2 It is advantageous to the Startups if the founders have some accumulated capital or a regular family income. The Incubators/Mentors/AIFs/VCs/PEs have wide networks and strength and they should look out to the possibility of providing some regular income if the founder's household lags in this by providing employment to a family member of the founder. It will increase the success outcome of the Startups.

6.5.3 It is advantageous to the Startups if the founders are professionals and have taken pains to take courses and trainings for Startup and entrepreneur related areas Idea Validation (identifying and evaluating an idea, analysing the environment and competitive advantage), Finance and Legal issues (company registration, permits, compliances, intellectual property rights), and Pitching and Funding (Funding and Valuation, and Pitching and Funding process). The Incubators/Mentors/ AIFs/VCs/PEs have wide networks and pool of talent. They should strive to introduce such people as founders where the Startup in question lags in this aspect. It will increase the success outcome of the Startups.

6.5.4 It is observed that most of the Startup Founders do not have training or experience to deal with acquiring Patents, but the efforts undertaken vide DPIITs Startup India Action Plan has failed to deliver on this front. Similarly, It is observed that most of the Startup Founders do not have training or experience with the several permits required under the Indian rules and regulations, but the efforts undertaken vide DPIITs Startup India Action Plan wherein it was envisaged to handhold for regulatory permits and fast track the Startups IPR requests has failed to deliver. At this point there needs to be a closer relationship between the Startup and the nodal central government agency for Startups. But this is not possible in DPIIT as the number of DPIIT recognized Startups is about to reach one lakh. Hence, government should look in to the formation of a special purpose vehicle or a body like NASSCOM, which did a yeoman's service for India's IT and BPO industry.

6.5.5 Startup India Hub/App set out to create a single point of contact for the entire Startup ecosystem and enable knowledge exchange and access to funding. The Government launched the Startup India Online Hub on 19th June 2017, which was touted to be one of its kind online platforms for all stakeholders of the entrepreneurial ecosystem in India to discover, connect and engage with each other. The online hub hosts startups, investors, funds, mentors, academic institutions, incubators, accelerators, Corporates, Government bodies and more, but it is observed that majority of founders interviewed did not visit Startup India Hub/App after getting DPIIT registration. This is **'the'** pivot point of DPIIT mandated Startup ecosystem, where all networking etc. were supposed to take place and thus it is a case of Pivot point failure. DPIIT should make periodical login to the website/app mandatory and some measure where the Startup needs to give constant feedback and is forced to see all the feeds at least once or take part in some task periodically to maintain startup status.

6.5.6 Most of the Startups haven't been able to avail the various Tax reliefs available to them as they perceive it to be too tough and hassle prone to get them. Similarly, Most of the Startups haven't been able to avail research park facility Innovation centre at National Institutes facility. This is another pain point where there needs to be a closer relationship between the Startup and the nodal central government agency for Startups, i.e. the DPIIT. But this is not possible in the current form of DPIIT as the number of DPIIT recognized Startups is about to reach one lakh. Hence, government should look in to the formation of a special purpose vehicle or a body like NASSCOM, which did a yeoman's service for India's IT and BPO industry.

6.5.7 The objective regarding Credit Guarantee Fund for Startups in the 19 point Startup India Action Plan was envisaged with the objective to provide Credit Guarantee for Startups by creating a Credit Guarantee Fund for Startups (CGFS) for providing credit guarantee up to a specified limit against loan extended by Member Lending Institution (MLI) to finance a Startup. It is regretted that it is yet to take off. The Status is that the Government has notified the establishment of the Credit Guarantee Scheme for Startups (CGSS) in October 2022 for providing credit guarantees to loans extended to DPIIT recognized startups by Scheduled Commercial Banks, Non-Banking Financial Companies (NBFCs) and Venture Debt Funds (VDFs) under SEBI registered Alternative Investment Funds. CGSS was aimed at providing credit guarantee up to a specified limit against loans extended by Member Institutions (MIs) to finance eligible borrowers viz. DPIIT recognised startups, but is yet to take off, meanwhile many promising Startups are struggling and forced to go for costlier and inefficient financing or even winding up operations. Mentors have also pointed out this crucial gap in the Startup Ecosystem in India which is handicapping the Indian Entrepreneur.

6.5.8 The Study has illuminated that Startups are craving Customer access and Marketing Support facility. Although in public purchases, through GeM, some level playing field is being provided, but in public sector, need for innovative products is limited and the real progress will be when Startups are able to seamlessly reach corporate and Private enterprises.. The Mentors have also zeroed in on this issue during their interaction and literature review has also highlighted this as a vital issue. This is one issue that needs to be included in the Action points by DPIIT. Further, the online platform ONDC is going to get online soon, if the Startups can be natively

onboarded on this platform since inception, this can be a game changer for Customer access and Marketing & Sales needs of Startups.

6.6 Limitations of the Study

Due to paucity of time, the number of respondents covered were limited.

6.7 Scope for Future Research

This is a qualitative study which could bring out some factors affecting the Startup performance in India. Further Quantitative research for confirming the findings can be done.

APPENDIX

IIPA/DPIIT/HDS/2023

February 22, 2023

Sub: Request for information regarding Startups in Delhi NCR for research during 48th APPPA.

Shri Harsh Deep Srivastava, is a participant in the 48th Advanced Professional Program in Public Administration which is sponsored by the Department of Personnel and Training, Ministry of Personnel, Public Grievances and Pensions, Government of India and is a ten months' programme, designed for senior officers of the All India Services, Central Services, Defence Services, Technical Services, conducted by the prestigious Indian Institute of Public Administration, New Delhi.

As part of the Program, a dissertation on a research topic is to be submitted and his research topic is **Fund of Funds for Startups: A review of beneficiary entities of Delhi-NCR.** For this the participant intends to study the startups of Delhi NCR who have been the beneficiaries of the FFS in 2016 and 2017, with a view that they have spent enough time in the ecosystem to give valuable feedback which could be utilized for the future of the startup ecosystem in India.

The following help from DPIIT in successful completion of the Dissertation is requested:

- List of Startups of Delhi NCR (with contact details) which were provided funding from the Fund of Funds for Startups (FFS) in 2016 and 2017 for administering closed ended questionnaire.
- List of SEBI registered Alternative Investment Funds (AIF) of Delhi NCR region registered before 2017 (with contact details) for administering open ended questionnaire/Interview.

- Name, Designation and contact details of SIDBI officials dealing with FFS for interaction.
- Detailed Annual report on the utilization of the Fund of Funds for Startups including details of the AIFs invested, details of the companies invested in by the AIFs, NAV of the investments etc. in respect of FY 2021-22 submitted by SIDBI to DPIIT.
- Copy of the last report of Quarterly review by DPIIT on the performance of FFS.
- Latest status on achievements of 19 point startup action plan.
- Copy of the 3rd Party evaluation report submitted to DPIIT by Shri Arun Jaitley National Institute of Financial Management, Faridabad in March 2021.

The study could be of use to DPIIT and the report would be made available to the DPIIT.

I would be highly obliged if you could direct the concerned officials to spare him some of their valuable time as also to make available the above requested information for successful completion of the study.

I have directed the Officer to meet you as per your convenience.

Yours sincerely,

(Surendra Nath Tripathi)

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