

STARTUP INDIA: THE NEW FACE OF INDIAN E-COMMERCE ECOSYSTEM

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Abstract

“We are an organisation that spends 20 per cent of our revenues on R&D, and it is time we also looked for ideas from startups.”

In this present era, each country takes various steps to make their country a strong country in each and every face like- in education , finance , employment , defense etc. So it is necessary for our country (India) to take various steps for make our country strong in every sector. For this the Government of India take various actions and launch various programme like ‘Digital India’, ‘Make –In- India’ and ‘Startup India’. ‘Startup India’ is a plan of Indian Government which develop entrepreneurial skills among the people of India.

Startup India campaign is based on an action plan aimed at promoting bank financing for start-up ventures to boost entrepreneurship and encourage startups with jobs creation. The campaign was first announced by Prime Minister Narendra Modi in his 15 August 2015 address from the Red Fort.

It is focused on to restrict role of States in policy domain and to get rid of "license raj" and hindrances like in land permissions, foreign investment proposal, environmental clearances. It was organized by Department of Industrial Policy and Promotion.

The main aim of this paper is to know ‘how this plan change the face of Indian e-commerce ecosystem’. This paper discuss the meaning, benefits, assessment of performance of states, opportunities and challenges of Startup India.

Keywords: Startup India, Entrepreneurial skills , ventures, encourage, campaign, environmental clearances, ecosystem.

1. INTRODUCTION

As we know that we are living in 21st century which is more advanced. Today is the era of technological & competitive era. In which each country want to become independent and advance. For make our country advance and independent it is necessary to create entrepreneurial skills in the Indian people.

So for achieving this objective our Prime Minister Mr. Narendra Modi launched a plan on 16th January, 2016 in Vigyan Bhavan (New Delhi) which is known as ‘Startup India’.

‘Startup India’ is a plan of Indian Government which develop entrepreneurial skills among the people of India. Startup India campaign is based on an action plan aimed at promoting bank financing for start-up ventures to boost entrepreneurship and encourage startups with jobs creation.

Startup India helps to change the face of Indian e-commerce ecosystem. Start-up India has given an opportunity to many young youths to bring their business idea into the application. This scheme is a success and has given many benefits to entrepreneur and other people.

This paper is proceeds as follow-

First, I give brief history of startup.

Second, I give the meaning of startup.

Third, I explain the kinds of startup.

Fourth, I explain the main key points of startup India.

Fifth, I give information about investment in startup India programme.

Sixth, I give information related to assessment of performance of states in startup India.

Seventh, I briefly explain the benefits of startup.

Eighth, I explain how tax benefits can be availed in startup.

Ninth, I briefly explain the opportunities.

Tenth, I explain the challenges facing by startup India.

Eleventh, I briefly conclude my views on startup India programme.

2. HISTORY OF STARTUP

There are more ways now than ever for you to start a business. Startups are a hot topic and it seems like everyone is launching a new company. But just as easy as it is to launch a startup, it’s even easier to make mistakes... unless

you slow down and learn from history. Here's a walk down memory lane with some important lessons that you can take away from each innovator.

2.1 1975 Microsoft

Software isn't what made Microsoft. It was the partnership with IBM. That partnership allowed them to bundle their OS with IBM computers. For every sale, Microsoft got a royalty. Their future was also secured when the personal computer market took off.

2.2 1976 Apple

It's not easy putting your finger on Apple's legacy. Is it the Mac? The iPod? iPad? Apple advertising? Steve Jobs? Apple Store? More than likely, all of the above. The Apple mystique is made up of superior products correctly positioned in the right markets. Friends, it doesn't get much better than this.

2.3 1978 The University of Phoenix

It's an understatement to say that John Sperling tapped a nerve with working adult students who were often treated like second-class citizens on a traditional campus. As of March 2010, 538,000 people have graduated from the University of Phoenix. To give you an idea of how deep their pockets go, in 2006 the mammoth for-profit institution paid \$154-million for 20-year naming rights to the Phoenix football stadium. That's less than a quarter of their annual marketing budget.

2.4 1998 Google

What started as a research project between two Stanford grads who theorized of a better way to evaluate relationships between websites turned into a small company that eventually dominated the search space. PageRank, a simple but potent innovation, sparked its domination. It's answer to the revenue question? Equally simple but potent: AdWords.

2.5 2004 Facebook

What makes Facebook so irresistible for some—casual connections all the way to full-blown reunions involving long-lost family members—is also what makes it problematic for others—lost lovers reuniting, much to the chagrin of their spouses. Zuckerberg's brain child takes the need to belong to a whole new level. Eight hundred million seem to think so

3. MEANING OF STARTUP

A startup is an entity that is headquartered in India which was opened less than five years ago and has an annual turnover less than 25 crore (US\$3.9 million). Start-up is the fast-growing business that aims to meet a marketplace need by developing an innovative product or service.

3.1 Kinds of Startup

Startups are essentially of two kinds. Which are as follows-

- One that starts something ground up, something that no one has thought about and is often ground breaking. This type of startup is difficult to create but once created often sees unprecedented growth.

The second kind of startups that we see around us are primarily the ones that do not want to reinvent the wheel. They are akin to adding old sauce in a new dish to create something new and innovative.

4. MAIN KEY POINTS OF STARTUP INDIA

The main aim of Startup India programme is to create and develop the entrepreneurial skills in the people of India. This programme give an opportunity to many young youths to bring their business idea into the application. This scheme is a success and has given many benefits to entrepreneur and other people. The main key points of the 'Startup India' as follows:-

- Single Window Clearance even with the help of a mobile application.
- 10,000 crore fund of funds.
- 80% reduction in patent registration fee.
- Modified and more friendly Bankruptcy Code to ensure 90-day exit window.
- Freedom from mystifying inspections for 3 years.
- Freedom from Capital Gain Tax for 3 years.
- Freedom from tax in profits for 3 years.
- Eliminating red tape.

- Self-certification compliance.
- Innovation hub under Atal Innovation Mission.
- Starting with 5 lakh schools to target 10 lakh children for innovation programme.
- New schemes to provide IPR protection to start-ups and new firms.
- Encourage entrepreneurship.
- Stand India across the world as a start-up hub.

5. INVESTMENTS IN STARTUP INDIA

Startup India programme is a programme which give a new identity of our country. Various banks , financial institutions invest their money in this programme .Like, SoftBank, which is headquartered in Japan, has invested US\$2 billion into Indian startups. The Japanese firm had pledged the total investments at US\$10 billion. Google declared to launch a startup, based on the highest votes in which the top three startups will be allowed to join the next Google Launchpad Week, and the final winner could win an amount of US\$100,000 in Google cloud credits.

Oracle on 12 February 2016 announced to set up nine incubation centres in Bengaluru, Chennai, Gurgaon, Hyderabad, Mumbai, Noida, Pune, Trivandrum and Vijayawada.

6. ASSESSMENT OF PERFORMANCE OF STATES IN STARTUP INDIA

In the 'Startup India' programme each state of India take part with full potential . But Southern States of India have shown great performance, like Karnataka, Kerala, Andhra Pradesh and Telangana which have results better than the rest of the country in terms of their policies implementations for supporting startups. Their focus has been on improving infrastructure, especially in the Tier-II cities.

The assessment of performance of few states is given below:-

6.1 Karnataka

Bengaluru , a metro city of Karnataka, is known as the Silicon Valley of India.

6.2 Kerala

Kerala is well known for the government's startup policy, "Kerala IT Mission", which focus on fetching 50 billion (US\$780 million) in investments for the State's startup ecosystem. It also made India's first telecom incubator Startup village in 2012.

6.3 Telangana

Telangana has launched the largest incubation center in India as "T-Hub".

6.4 Andhra Pradesh

Andhra Pradesh has allocated a 17,000-sq-ft. Technological Research and Innovation Park as a Research and Development laboratory. It has also created a fund called "Initial Innovation Fund" of 100 crore (US\$16 million) for entrepreneurs.

6.5 Madhya Pradesh

The government of Madhya Pradesh has collaborated with the Small Industries Development Bank of India (SIDBI) to create a fund of 200 crore(US\$31 million).

6.6 Rajasthan

Rajasthan has also launched "Start-up Oasis" scheme.

6.7 Odisha

In order to promote start-ups in Odisha, the state government organised a two-day Start-up.

Conclave in Bhubaneswar on November 28, 2016. The main objectives of the event would be to motivate youth towards entrepreneurship, showcase the start-up ecosystem in Odisha and attract more start-ups to the state.

7. BENEFITS OF STARTUP INDIA

Startup India is mainly beneficial for those enterprises which are eligible for the scheme Startup India. Following benefits are receive if you are eligible for the scheme Start Up India.

7.1 Tax Holiday of First 3 year

No income tax is payable on all the profit earned in first 3 years.

7.2 No Inspection for First 3 years Under Labour Law

No inspection require for first three years under labour law. In addition, environment law compliance is required only post-self- certification.

7.3 80 % Rebate in Patent Fee

80% rebate in patent fee and fast track examination and processing of application for patent.

7.4 Manufacturing Sector Startup are Exempt

Manufacturing sector startup are exempt from the criteria of prior ‘experience/ turnover’ without any relaxation in quality standards or technical parameters in public procurement (by government).

7.5 Self Certification Compliance

Self-certification compliance is an amazing step by the government, but Startups have to follow all the law regarding payment of gratuity, provident fund, contract labor regulations etc.

The only difference is that no labour inspector will at your place for verification but after 3 years you may be penalized if any default is found in compliance of all the matters.

7.6 No Capital Gain Tax

No capital gain tax if investor exits form startup and invest the gain in the fund as recognized by govt.

8. HOW TAX BENEFITS CAN BE AVAILED IN START-UPS

By following ways an enterprise receive tax benefits.

8.1 Addition in Value

Value added in the product and customer.

8.2 Solution to the Problem

Start should be available to solve certain problems of the society. Points should be clearly mentioned.

8.3 Working with Business Model

Start-up should be according to the particular business model about Business model otherwise, incubators may be rejected.

8.4 Recommendation Letter

This application is needed from certain authorities. Authorities can any incubators established the post-graduate college in India, incubator which is funded from Central or state government.

9. STEP TO GET RECOMMENDATION LETTER

9.1 Easy task

You can directly reach out to the incubators via email or phone and to tell case correctly.

9.2 Startup application filling

After you are connected, the incubators will send you the application form which you need to fill out properly along with the necessary documents.

9.3 Visit the incubators

Possibility that incubators may call you for the meeting, and you may have to visit it personally.

9.4 Business should be Working

Business model is, it should be working model. Proposed business will not be considered by incubators.

9.5 Fees

The incubators may charge you Rs.5000. If your application has been taken up by an expert panel, then the cost will further increase by Rs.5,000/-. This will not be more than Rs.10,000/- in any case.

10. OPPORTUNITIES

The startup India programme provide various opportunities to startup enterprises. The few opportunities are as follows:-

10.1 Demographic Dividend

According to the latest UN report India with 356 million 10-24 year-olds have the largest concentration of youth population despite having a smaller population than China. This augurs well for the country as right education and healthcare can see the economy soar.

Youth is the driving force behind innovation, creation, and the future leaders of a country. Youth also drives demand and consumption pattern in a country. For startups youth make up the workforce that it so desperately needs and going forward youth can be a huge talent base for startups.

Best suited to address emerging countries' challenges – India has a unique set of problems that need innovations to originate out of the country. Problems around its health, education, infrastructure, sanitation are unique to the country and solutions from western world cannot solve it.

Each problem provides a unique opportunity for startups to solve some pressing issue and at the same time create a business around it. What helps is that most problems around emerging economies are similar in nature and solutions applicable here can also work in many countries in Africa and elsewhere. This enables Indian startups to acquire an even bigger scale and at the same time make a meaningful impact around the world.

10.2 Large Population

For startups in the country, it is not essential to go overseas. India, with over a billion people, present a very large home market for any goods or services. A rising disposable income and growing aspirations of a mushrooming middle class have meant there is a large appetite for brands.

The large population has also led to a consumer expenditure growth, which has in turn has propped up supply and production. Startups that look to service and cater to the large population in solving a pain point or providing a utility in one of the world's most important consumer markets, stand to do well.

10.3 High Mobile Penetration

According to latest Trai figures India's tele-density reached 76.55 percent with a subscriber base of 95.76 crore. Significantly wireless subscriber base touched 95.76 crore, just shy of 100 crore mark.

High mobile penetration in urban and rural India has reshaped the economy of the country and how goods and services are offered. It has lead to greater efficiencies and increased productivity. It has meant businesses profit through faster decision making, better logistics and even something like access to bank accounts.

Higher mobile penetration has also led to increased financial inclusion and flow of credit to the unbanked. Growth in mobile penetration is transforming the way businesses and consumers communicate and work. With data enabled mobile phones, the very nature of startups and businesses have changed. For example, startups that develop mobile apps now have an ever increasing market to cater to.

11. CHALLENGES FACING BY STARTUP INDIA

There are various type of challenges which are facing by startup enterprises at various fronts. Some of these as below:-

11.1 Culture

Entrepreneurship and startups are only a recent phenomenon in the country. It is only in the last decade and half that people in the country have moved from being job seekers to job creators. Doing a startup is tough and every country sees more failures than success.

More often than not an entrepreneur needs to be prepared to face failures and unprecedented hardship. However, culturally we are not groomed to fail and failure is frowned upon. Entrepreneurship thrives on celebrations and a society that fails to appreciate business failures stifles innovation and creativity even before it can start. A startup failing has to be OK as failures often teach an entrepreneur, what to do and what not to do.

11.2 Mentoring

Doing a startup is perilous and often a lonely journey. You may have co-founders, but you may not necessarily possess the business acumen to succeed. Having a brilliant idea is different from making that idea a business success.

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For a startup, it is very important to have mentors who have been through a similar process of starting or have business experience. A great mentor is often what separates success from failure by providing valuable inputs. However, there is no formal mechanism to mentor startups in the country.

Every mentoring that happens is on an ad-hoc basis. A startup that has raised funds can count the investors for some form of mentoring, but honest, unbiased, good business mentors are far and few in between. For startups finding a good mentor is often an uphill task.

11.3 Policies

Government is the single largest enabler for the entrepreneurial ecosystem. Government's role in ease of doing business and helping companies start is vital to ensuring success. It is uncannily difficult to start a business in India and myriad laws and regulations means it takes about 30 days to comply compared to just 9 days in OECD countries.

The government's role has so far been limited to giving out grants and loans, but without an effective, enabling environment, implementation is far off the target. In this regard it will be interesting to see the contours of the recently announced Startup Fund in this year's budget. For startups to thrive and succeed, the government has a lot to do and understand the importance of entrepreneurship in economic development.

11.4 Hiring

The economy has been in a flux and along with the world economy the heady days of high growth are long gone. In an uncertain economy where one is not sure about demand, for a startup, it is particularly difficult to make correct estimates on the number of employees needed.

This, however, is the minor problem where the biggest issue is about finding skilled manpower. India's skilling need is so huge that National Skill Development Corporation (NSDC) has been mandated to skill 150 million Indians by 2022. For a startup, it is particularly difficult to attract and hire talent and skilled workers.

A startup often cannot match the salaries drawn at larger companies nor is a job at a startup seen as a steady one. This means startups face severe hiring challenges and at times have to settle for the next best option.

11.5 Funding

Capital and access to capital has been a perennial problem for startups. While, of late angel investors, venture capital and private equity have brought succor to some extent, a large number of startups still grapple to raise funds from institutional setup.

Funding challenge is not merely limited to seed rounds, but also for vital Series A and B rounds. For a startup looking to scale, it is still very hard to raise rounds to scale as the number of investors that write larger cheques in India are very limited in number.

CONCLUSION

Startup India is a powerful plan of Indian Government. This plan create and develop entrepreneurial skills in the people of India.

This programme give an opportunity to many young youths to bring their business idea into the application. This scheme is a success and has given many benefits to entrepreneur and other people.

Each state of India take part in this plan, But Southern States of India have shown great performance, like Karnataka, Kerala, Andhra Pradesh and Telangana which have results better than the rest of the country in terms of their policies implementations for supporting startups.

There are various opportunities and challenges related to startup India. For success of this plan it is necessary to overcome the challenges. The success of this plan give a new image of our country and change the face of Indian e-commerce ecosystem.

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