

ROLE OF START UP INDIA IN EMPLOYMENT GENERATION: A CRITICAL ANALYSIS

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Abstract: The Startup India scheme aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive for growth of Start-ups in India. It will drive sustainable economic growth and generate large-scale employment opportunities. According to the Prime Minister, the objective of startup is that India must become a nation of job creators instead of being a nation of job seekers. The Government through this initiative aims to empower Startups to grow through innovation and design. Under this scheme, the Government has also set up much start up incubators so that proper knowledge and training could be imparted among the new entrepreneurs. A startup incubator is a collaborative program designed to help new startups succeed. Incubators help entrepreneurs in solving some of the problems commonly associated with running a startup by providing workspace, seed funding, mentoring and training. The sole purpose of a startup incubator is to help entrepreneurs to grow their Startup India. With the gen-next trend to start working on new and innovative ideas, India is all set to outperform all other nations on the world stage in the years to come. Setting up of business by these young entrepreneurs is definitely going to boost the Indian Economy in the near future.

KEY WORDS: Startup, India, entrepreneurs, Economy, Business and future.

INTRODUCTION :

India is facing one of the biggest problem, which hinder the development of our nation. The problem is unemployment. The government has been giving many efforts since independence to eliminate this bottleneck, in form of many employment schemes like Prime Minister's Employment Generation Programme (PMEGP), Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Swarna Jayanti Shahari Rozgar Yojana (SJSRY), Pradhan Mantri Gram Sadak Yojana (PMGSY) and many more but could not eliminate the problem. Even after the successful implementation of LPG, many employment opportunities have been created by the private sector also and the problem of unemployment stooped a little. However, as the rate of increase in population is more than the rate of increase in employment opportunities, an optimal solution has not yet been found out for such unemployment problem. Hence, to solve the problem of unemployment the Prime Minister of India, Shri Narendra Modi has proposed a scheme named "Startup India" in his Independence Day speech 2016.¹ The Prime Minister of India has formally launched the initiative on January 16, 2016 from Vigyan Bhawan, New Delhi. The event has been attended by a vast number of young Indian entrepreneurs who have embarked on the journey of entrepreneurship through Start-ups. The Startup India scheme aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive for growth of Start-ups in India. It will drive sustainable economic growth and generate large-scale employment opportunities.² According to the Prime Minister, the objective of startup is that India must become a nation of job creators instead of being a nation of job seekers. The Government through this initiative aims to empower Startups to grow through innovation and design. Under this scheme, the Government has also set up much start up incubators so that proper knowledge and training could be imparted among the new entrepreneurs. A startup incubator is a collaborative program designed to help new startups succeed. Incubators help entrepreneurs in solving some of the problems commonly associated with running a startup by providing workspace, seed funding, mentoring and training. The sole

purpose of a startup incubator is to help entrepreneurs to grow their business.³ With the gen-next trend to start working on new and innovative ideas, India is all set to outperform all other nations on the world stage in the years to come. Setting up of business by these young entrepreneurs is definitely going to boost the Indian Economy in the near future. According to the NASSCOM report of 2015, India is a home for almost 3100 startups starting per year standing just behind US, UK and Israel. If the growth is continued on the same pace then it is expected that Indian tech startups will generate almost 2.5 lakh jobs in the next five years. Many experts has spotted that presently benefits of startups towards economy cannot be judged in such a short period as it contributing hardly 1.8 % to GDP but these startups would be more beneficial in long run period.⁴

Startup India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large-scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design.⁵ The Action plan is divided across the following areas:

- Simplification and Handholding.
- Funding Support and Incentives.
- Industry-Academia Partnership and Incubation.

Startup means an entity, incorporated or registered in India not prior to five years, with annual turnover not exceeding INR 25 crore in any preceding financial year, working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

- Provided that such entity be not formed by splitting up, or reconstruction, of a business already in existence.
- Provided also that an entity shall cease to be a Startup if its turnover for the previous financial years has exceeded INR 25 crore or it has completed 5 years from the date of incorporation/ registration.
- Provided further that a Startup shall be eligible for tax benefits only after it has obtained certification from the InterMinisterial Board, setup for such purpose.

Apart from the financial support, startups also require non-financial support, like capacity building, management advice, improved business plans and networking, and specialist technical services such as accounting or legal advice. Non-financial support is a way of reducing the risk (of default) of the financial support. According to a Nasscom report on digital startups, India now has approximately 110 incubators and accelerators in India. There is an important role of Startup Incubators in developing successful start-ups in India. Incubators work with startups to develop entrepreneurial skills such as building a business around an idea, creating and testing a prototype and understanding the market. Incubator programmes can be relatively long-term – over a year.⁶

REVIEW OF LITERATURE:

Rani (2017)⁷ Discuss the opportunities and challenges faced by entrepreneurs as well as government while announcing the scheme. The study mainly focuses on the challenges faced by government and the opportunities that were available under this scheme. The study suggested that government as well as entrepreneurs work together to face the challenges and make the scheme effective.

Jain, Surbhi (2016)⁸ Study on growth of startups ecosystems in India. She highlighted various initiatives and action plans of Startup India and found that India had a very high scope for growth of startup ecosystem in India and through startups India offer help for the entrepreneurs.

Wagh, Madhura (2016)⁹ Highlighted various action plans of startup India that support the entrepreneurs. In her paper she discuss the positive aspects of action plan that was entrepreneurship will be promoted right from school and Incubation support was provided at various level and suggested that if initiatives was implemented properly then it will become success for entrepreneurship.

Dutta, Akanksha (2016)¹⁰ explains the concept of Startup campaign started by Modi government and highlights the initiatives and action plans of startup India. She also explains the reasons behind setting up startups and concluded that more than 65% growth was seen in year 2015.

The primary objective of the Indian Start-up Scheme is to develop and innovate products and services and create more job opportunities in India. This would further lead to an increased employment rate and help strengthen the economy. Now it is more than five years the scheme is in operation it will be appropriate to take a stock of the implementation of the scheme over the five years period and to assess the performance of the scheme with set objectives while introducing the scheme. The government of India has all set to implement the scheme and has provided all the basic infrastructure for the implementation of the scheme in right perspective. The government of India has embarked upon creating an environment conducive for smooth development of the scheme. The government of India has initiated several steps to improve the ease of doing business and has shown excellent progress over the years.

Table: 1

The table indicates the F.Y. wise and state-wise progress of the Start-Ups in India

State	2016	2017	2018	2019	2020	2021	2022	Total
Maharashtra	86	1058	1620	2129	2685	3721	2220	13519
Karnatak	61	842	1184	1675	1739	2144	1236	8881
Delhi	66	727	1158	1378	1771	2191	1345	8636
Uttar Pradesh	27	392	776	881	1377	1968	1233	6554
Gujarat	24	285	442	600	879	1717	973	4920
Total in India	471	5233	8775	11417	14596	20160	12341	72993

Source: Start-Ups registered with Department of Industrial Policy & Promotion

It can be seen from the above data that the State of Maharashtra is ranking first in the implementation of the Start-Up scheme followed by the State of Karnataka.

Here it will be worthwhile to take a stock of the number of jobs created by these Start-Up state wise. The below given data reveals the employment generated by various states since its implementation i.e., F.Y. 2016.

Table:2

Sr. No.	State	Number of Employment Opportunities Created
1	Telangana	44649
2	Uttar Pradesh	67694
3	Delhi	87643
4	Karnatak	103541

5	Maharashtra	146132
	Total	767754

Source: Data published by the Industries and Trade Ministry GoI.

The above data indicates that the State of Maharashtra is ranking first at the all-India level in generation of employment opportunities. According to the Economic Survey 2021–22, India has approximately 61,400 startups recognized by the Department for Promotion of Industry and Internal Trade (DPIIT), with at least 14,000 recognized for the fiscal year 2022. The survey is a yearly report card on the economy that analyses the performance of several sectors and makes recommendations for the future. A forecast for GDP growth is also presented. On this score of generation of employment opportunities, it will be worthwhile to note here that this is just the beginning of the scheme. Now once the Start-Up gears up its operation the number of opportunities will certainly increase to a great extent. Some of the Start Ups have been appreciated by the Indian industrialists like Hon. Ratan Tata, Anand Mahindra and have now invested in these identified start-ups which will provide impetus for them to expand. (Goosebumps – energy distribution Start Up from Pune) There was a TV program on Shark Tank on Sony Chanel has also created an atmosphere and has indicated to the upcoming Start-Ups to present their ongoing projects wherein the industrialists of proven track record will assess their performance and will come forward to invest as well as guide them in their start-up activities.

The above statistics indicates that the initiatives taken by the Govt. of India and the State Government to foster the growth of Start-Ups has yielded fruits. The number of Indian youths is coming up in greater number, with their innovative ideas and making it a commercial preposition. The banking industry is also keen in financing new start-ups. This will enable these entrepreneurs to go ahead with the expansion of their activity which in turn will lead to generation of employment opportunities. Thus, there is definitely a bright future for the Start-Ups and it is hoped that in times to come these start-ups will achieve newer heights in generation of employment. India has become the third-largest startup ecosystem in the world after the US and China, it said. A record 44 Indian startups achieved unicorn status in 2021, taking the overall tally of startup unicorns in India to 83, with most in the services sector, the survey showed.

Opportunities provided by Start-Ups to New Entrepreneurs:

The startup scheme proves as an effective tool to resolve the problem of unemployment in India. The scheme is capable to provide many opportunities to entrepreneurs to start their own business successfully. The scheme also realizing the entrepreneurs that adequate funding will also be given to start ups. The following are the various types of opportunities that the scheme is going to provide to the new entrepreneurs.

Focus on Core Business and Keep Compliance Cost Low: Often, new and small firms are unaware of regulatory formalities and can be subjected to intrusive action by regulatory agencies. The Start Up plan provides the opportunity to the new entrepreneurs to concentrate more on their core business rather than involving much time in following the regulatory formalities. It reduces the compliance cost by allowing the start-ups in self-certifying through start up app.

Providing Proper Guidance to New Entrepreneurs: As the new entrepreneurs are lacking of entrepreneurial skills, training, seed funding etc. under this scheme many start up incubators are formed in many different places in which adequate training to develop the entrepreneurial skills and various types of suggestions regarding raising of seed capital to establish a startup company, are given to entrepreneurs.

Interaction with Government and Regulatory Institutions: The new entrepreneurs who wish to establish start-ups can use Startup App and Startup Portal for proper interaction with

Government and other regulatory institutions. These app and portal enables the new entrepreneurs to register the start up with relevant authorities to avoid delay in registration process, file for compliances and obtain information on various clearances or approvals or registration required and to apply for various schemes undertaken under the start-up plan.

Protecting and Commercializing the IPRs: The scheme is also providing legal support and fast-tracking patent examination at lower costs. The purpose of this step is to promote awareness and adoption of Intellectual Property Rights (IPRs) by start-ups. Again, a scheme called Startup Intellectual Property Protection (SIPP) is launched to facilitate filing of patents, protecting and commercializing the IPRs.

Exemption from the Criteria of Prior Experience or Turnover: All startups have now been made eligible to get exemption from the prior experience criteria in public procurement, a benefit that was enjoyed only by micro and small enterprises so far. The department of expenditure has issued a directive to all ministries that all startups-“micro, small or otherwise” may now be allowed relaxation from certain eligibility criteria in the tendering process.

Easy Exit: As innovations is concerned in Start-ups, there is high possibility of risk in such companies. Many startups have already failed. This scheme will promote entrepreneurs to experiment with new and innovative ideas, without having the fear of facing a complex and long-drawn exit process where their capital remain interminably stuck. Again the Insolvency and Bankruptcy Bill 2015 (“IBB”), tabled in the Lok Sabha in December 2015 has provisions for the fast track and / or voluntary closure of businesses.

Arrangement of Seed Capital: The start-ups are facing a big challenge to justify and arrange loans due to lack of collaterals and existing cash flows. Besides that funding to start-ups is also perceived as a high credit risk. The government of India is providing funding support through a Fund of funds with a corpus of Rs.10,000 crores over a period 4 years (i.e. Rs. 2,500 crore per year) so that it will be easier for the new start-ups to get seed capital for their business. Again, in order to provide credit guarantee fund Credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/SIDBI is being envisaged with a budgetary Corpus of Rs. 500 per year for the next four years.

Exemption of Tax: Under this scheme, various types of exemption can also be availed by the start-ups. Tax exemption will be given on capital gains if that gain will be invested in the Fund of Funds recognized by the Government. In addition to that with a view to stimulate the development of Startups in India and provide them a competitive platform, it is imperative that the profits of Startup initiatives are exempted from income tax for a period of 3 years.

Use of Professional Management through PPP for the Promotion of World Class Innovation Hubs: Under the start-up scheme, the government has created a policy to develop and organize much start up incubators with the help of Public Private Partnership (PPP). The main purpose of this PPP is to use the services of professional management in start-up incubators. The new entrepreneurs could avail a better guidance under such professional managerial personnel. Again the in the first phase of the startup scheme Government is proposing to make forward looking investments towards building world-class incubators and to establish 10 such incubators. These incubators would be given Rs. 10 crore each as financial assistance, which may be used for ramping up the quality of service offerings.

Promote Research & Development among Young Students: There are many measures like Innovation Core, Uchattar Avishkar Yojana and National Initiative for Developing and Harnessing Innovations (NIDHI), which will be implemented under this scheme so that those

students who have the capability to contribute towards the research and development will be suitably rewarded.

Challenges before the Start-Ups in India:

Startups that operate online are constantly working to improve their reputation and brand image by promising a pleasant experience. It is difficult to meet client expectations in an era when experience is everything, and existing eCommerce behemoths take the online purchasing procedure to the proverbial 'next level' with anticipatory shipping methods. For Indian startups to compete with these behemoths while meeting the ever-changing client demands, is a significant problem. To achieve the desired customer expectations for a positive user experience, startups should begin evaluating their eCommerce trends and concentrate on using this data to create individualized customer experiences. Customers must feel recognized and valued from the time they begin utilizing your service. Online startups continually attempt to strengthen their reputation and brand image by providing a good experience. In a time when customer satisfaction is paramount and established eCommerce behemoths push online shopping to the proverbial "next level" with anticipatory shipping techniques, it is challenging to meet customer expectations. It is a big challenge for Indian entrepreneurs to compete with these industry titans while also satisfying constantly shifting customer preferences. Startups should start analyzing their eCommerce patterns and focus on using this data to build tailored customer experiences in order to meet the required customer expectations for a great user experience. Customers must have a sense of recognition and value as soon as they start using your service. There is no doubt that the new entrepreneurs are taking the advantages of various opportunities provided by the startup scheme. However, there are also many challenges before the establishment of new startups.

Cut Throat Competition: The major challenge that the new start-ups are facing is that the cut throat competition from the existing companies. The existing companies, which have already gained more goodwill in the market along with the customers' trust, are the true competitors for new start-ups. The new start-ups require more time to reach a standard level to compete with the existing companies. **Unrealistic Expectations:** Many of the startups' owners have the expectations of being successful within a short period and to accumulate colossal amount of profits but in practical it may not be possible as every business need an adequate time to grow and expand. Such unrealistic expectations create a setback in the mind of the entrepreneurs.

Need of Appropriate Partners or Co-founders: Even after a successful and innovative product, service, or plan, startups lack in co-ordination between the partners or co-founders. Due to the lack of appropriate partners, there is always a chance of arising disputes later on.

Difficulty in gaining the trust of Customers: As the start-ups are new to the market, they need not only to attract the customers but also to gain the trust of the customers through their services. Gaining the trust of the customers will take a lot of time and to divert the customers from their existing products or services to a new product or service is a difficult job.

Delay in getting Seed Funding: Even though the Government of India has started the scheme with a corpus of Rs. 10,000 crores over a period of four years (Rs. 2,500 each year) the start-ups are facing problem in getting seed capital for their business. The reason behind it is that the fund would be finally supplied by the banks after getting a proper project appraisal and plan, and a proper assurance that their capital will not be lost in such start-ups.

Not yet popular in Rural Areas: Most of the entrepreneurs and their start-ups are belonging to urban areas and they are well capable of getting seed capital. However, the problem is that start-ups are not yet much popular in remote areas.

Reasons for failure of Start-Ups:

Risk is an integral part of every business and start-ups are not the exceptional one. According to Kishore Biyani “90% of startups are nonsense, have no meaning”. The statement is being given in relation to the failures of much startup companies. The various reasons due to which many Stratup have failed are following:

Poor Marketing: In today’s world only innovating and launching a new product is not necessary rather it is proper marketing is also required to make it more popular. The new startups are lacking of appropriate marketing strategy to aware the consumers regarding the new product or service. This lacking is responsible in failure of attracting more consumers and to earn more profit from their sale.

Bad Location: Selection of Plant location is also an important element for the success of any business. However, in certain cases few start-ups without any proper enquiry about the location start their business and as a result after few days or months such start-ups faced many problems like lack of raw materials, power, distant from the market and consumers, etc. Such problems lead to the failure of certain start-ups.

Run out of Cash: Many start-ups had started their business activity after getting seed capital from the relevant sources. Afterwards such start-ups are lacking of liquidity position due to which they were unable to pay even the salaries to their staff or employee. These crucial situations lead to run out of cash and ultimately the startup unit failed with a few days.

Legal Challenges: The new start-ups are also facing some legal challenges. They need to submit a proper project proposal for getting funds from the angel investors or from the government. They also need to follow certain compliance by sending a self-evaluated progress their start-ups at regular intervals. Failure of such formalities the seed capital may be further withdrawal by the government may me lead to the liquidation of start-ups.

Absence of Pilot Survey: A pilot survey is much necessary to know whether there is a possibility of demand of such innovated product in future, will the consumers have the enough purchasing power to afford these, etc. Many start-ups have failed, as they did not perform any pilot survey regarding the feasibility of new product.

Disharmony with Investors or Co-founders: Even after successful opening of startups, few enterprises dissolved later on due to the disputes created among the co-founders. The disputes may be related to the distribution of future profit or may be related to patent right.

Loose Focus: At the first instance, the entrepreneurs with his full efforts and encouragement establish their start-ups but as the time passes, the entrepreneurs could not sustain with the competitive environment and lose focus. Many entrepreneurs expect more profit within a short span of time but could not succeed in doing so due to lack of patience to handle the burden of initial loss during the gestation period.

Absence of effective Business Model: For the smooth running of every business, a perfect business model is required. Due to the lack of business model, the start-ups could not run the business properly for a longer period and at last failed.

Lack of Training: Many entrepreneurs though have a new or innovative business idea, do not have proper entrepreneurial skills. Due to the lack of training, they are not able to give their innovative ideas a physical shape. Moreover, many entrepreneurs cannot react positively to changing business environment. Even the number of start-ups incubators are very low for providing adequate training to the entrepreneurs. Lack of training may weaken the founders and may result in failure of the concern. Even though the emerging startups are showing a bright picture of India in future time but the recent reports on failure of many startups indicates a huge

losses of funds and resources of our nation. Hence, this study is an attempt to know how startups are creating various opportunities for new entrepreneurs.

CONCLUSION :

The startups are meant to change the mind-set of the people of India i.e. to convert the nation of job seekers into a nation of job creators. There is no doubt that on one hand startups are proved as a helpful tool to encourage people for becoming self-employed but on the other hand, many people have left their jobs to take the advantage of startup scheme with the expectation of more earning from self-employment. Some start-ups have succeeded and are booming day by day but there are also many, which are unable to stand against the competitive environment and consequently have failed. As per the labour bureau, the labour turnover has increased, which is not a good sign for a developing country like India. Start up is definitely a game changer, even though the positive effects of this scheme have not been yet worth noticing but in long run, this scheme may be proved more effective in employment generation. Hence, there is also a need to concentrate on the plans and policies of the startup scheme to make the startup plan more effective for the future entrepreneurs. There is more possibility that if start up incubators are established in the remote areas, the startup companies will also be flourished in such areas and could reduce the problem of seasonal employment and unemployment.

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