

# Impact of Startup Incubators in India

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## Abstract

*India accounts for four percent of global GDP today. Startup India is the flagship initiative of the Government amidst fanfare and euphoria. The strategies of the Central Government takes into account the collective aspirations and enterprise of the risk taking Indian. Startup India is about challenging conventions and spurs a revolution of unique and emphatic business models. It is the precursor to India taking Centre stage in the new world .The present study tell us that Startup incubators are companies that assist new startups in their initial phase of development by providing various services. Startup incubators are essentially organisations that promote the speedy growth and success of startups, MSMEs, and early stage companies. The startup incubators provide a foray of services including capital, connections with angel investors, State Governments, economic coalitions, and others.*

**Keywords :** Startup, Business Incubators, Challenges, Initiatives, India Economy, MSME.

**Classification-JEL :** L16, O14, O38

## 1. INTRODUCTION

Startup Incubators in India are proving to be a boon to the startup ecosystem. With India being in the top five startup nations in the world and the Government pushing all the right buttons towards fostering an ecosystem that boosts entrepreneurial growth, the organisations meant to support startups, called startup incubators occupy a central space in today's digital economy. India is considered to have one of the harshest environments for the startups to grow. Although it is the fastest growing economy, it ranks 140th in terms of nominal GDP per capita.

The Prime Minister unveiled to take forward the startup culture. The action plan

included tax sops, ease-of-doing business, innovation to help entrepreneurs to startup and grow their business. The plan of Startup Indians is to flourish under an ocean of changes in mindset and thinking. It is giving feather to wings of the unstoppable Indian. Government of India, intended to build a strong eco-system for nurturing innovation. Start ups have played and continue to play significant roles in the growth, development and industrialization of many economics all over the world. On 15th August 2015, PM Narendra Modi announced this initiative at the Red Fort as Start-up India and on 16th Jan 2016 it was officially flagged by Finance minister Arun Jaitley. In this campaign the main aim of the govt is to provide maximum help and support for the new emerging businesses and

ideas. The support will be in the form of finance, technology, economic, social as well as environment.

**2. CONCEPT OF Start UP**

Startup is defined as “an entrepreneurial venture or a new business in the form of a Company, a partnership or temporary organization designed and search of a repeatable and scalable business model.” Startup India brings excitement and immense possibilities for the future.

A startup is defined as a business that:

- Engages in development, production or distribution of new
- products, processes or services
- New and existence for not more than five years
- Revenue of up to INR 25 cr.
- Not formed through splitting or restructuring
- Formed through splitting or restructuring

**3. METHODOLOGY AND OBJECTIVES**

The study is based on the secondary data which has been collected through websites, newspapers, magazines, govt reports, books, research papers etc.

The study is based on following objectives:

1. To study the initiative taken by government
2. To study the impact of business incubators in India
3. To study the various challenges faced by the startup

**4. COMPARISON OF STARTUP IN INDIA WITH OTHER COUNTRIES**

India has declared 2010-20 as the Decade of Innovation. The Government has stressed the need to vocalize a policy to synergies science, technology & innovation and has also established the National Innovation Council (NIC). India is the 4th largest eco-system in the world for start-ups after US, UK & Israel driven by an extremely young diverse and inclusive entrepreneurship. India will reach the

2nd spot after the US as the growth rate of Startups is at high alarming rate.

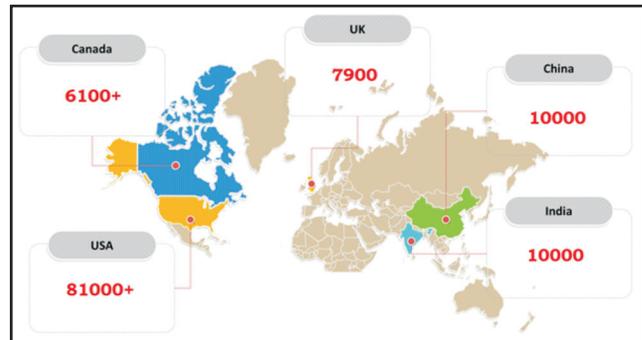
India is amongst the top five countries in the world in terms of startups. US ranks number one on the list with 8,1000 + startups.

**Table 1**  
**Rank of Countries in Start UP.**

Country	Ranks
Canada	6100+
US	81000+
UK	7900
India	10000
China	10000

Source: Microsoft Ventures, Zinnov, NASSCOM Startup India report 2015.

**Fig 1**  
**Based on Table 1**



**5. IMPACT OF BUSINESS INCUBATORS IN INDIA:**

Incubators share both tangible and intangible resources such as equipment, office space, services such as accounting, computing and legal services. They also assist startups in raising startup capital and perform various networking activities to reduce the financial burdens and resource issue. Incubators help entrepreneurs in building sustainable business environment while benefitting the broader corporate communities.

- There is a 40 percent growth in the number of incubators to reach to approximately 110 in 2015 as against around 80 in 2014.
- Approximately 50 percent of total incubators are set up in non-metro cities i.e. outside NCR, Bangalore and Mumbai to offer.

- Big corporates are also setting up incubator programmes to help startups. Tata Group launched T-Hub, Google, Microsoft Ventures etc.
- Tata has come up with country's largest technology incubator centre 'T-Hub' in Hyderabad
- Google has come up with a Launchpad accelerator programme for specific to mobile startups in India, Brazil and Indonesia with training and developmental support and upto US\$ 50,000 in equity-free funding

Y-Combinator, a popular incubator in the San Francisco Bay Area has designs to make investments in India in the near future.

and access to funds.

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

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

**v) Rs 10,000 crore fund :** The government will develop a pool with a starting aggregation of Rs 2,500 crore and a total aggregation of Rs

**Table 2  
Incubators across India -2011-2015**

Name	Year	City	Sector
Bihar entrepreneur association	2011	Bihar	Agnostic
Bio incubator	2012	Karnataka	Agriculture, bio-pharma
D labs	2013	Hyderabad	Human centered design
IIT Madras Cell	2013	Chennai	Technology and knowledge based ventures
IIM Calcutta Innovation	2014	West Bengal	MSME
Innovation and incubation center	2015	Gujarat	Oil, gas, agriculture, health care,
Consumer electronic incubator at Cochin	2016	Cochin	Electronic

**6. STEPS TAKEN BY THE GOVERNMENT**

The govt plays an important role for establishing the new enterprises. The plans, policies, initiatives, strategies of the govt affect the entrepreneurs. Following are the 19 plans as an initiative for start ups:

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

**ii) Start-up India hub :** A single contact point will be created for the start-ups in India, which will enable them to exchange knowledge

10,000 crore over four years, to help new entrepreneurs. The important role will be played by the Life Insurance Corporation of India in blossoming this collection. The fund will be managed by a group of professionals selected from the start-up industry.

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

**vii) No Capital Gains Tax :** Investments through venture capital funds are exempted from the Capital Gains Tax. The same policy will be executed on start-ups.

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

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

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

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

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

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

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

**xv) Dedicated programs in schools :** The government plans to inculcate transformational programs for scholars in over 5 lakh schools.

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

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

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

**xix) Faster exit :** If an entrepreneur is unsuccessful than the government will help him

to get a particular resolution for their complication.

## 7. CHALLENGES FACED BY STARTUP

**a) Operational finance:** Most startups are self/family funded with limited workforce which makes it difficult to maintain records both financial and operational. Flawed business models and lack of innovative revenue strategies have led to the failure of many startups and they are forced to shut down operations.

**b) Funding/Capital Deficiencies:** Capital and access to capital has been a perennial problem for start-ups. Government and private sector investors have set aside funds through investment channels but they are not available for all forms of business. The biggest problem for such organisations has been to attract investors and gain their trust with regard to their mode of Operations. In the initial phase of operations, startups do not get funding from banks given no credit history of the firm. In addition, there is limited number of credit rating firms for small and medium sized enterprise.

**c) Cash flow management :** Effective cash management is an important factor to achieve objectives both short term and long term. Gap between burn rate and revenue: Given rising competition from peers both from big as well as small, it becomes imperative for start-ups to scale up the business and require external funding for the sustainability / growth in the market. Lack of information - provision of more information directly to business founders could help in the adoption of more sustainable business practices.

**d) Taxation issue :** Taxes like octroi, VAT, excise create problems for entrepreneurs while starting up a business. NASSCOM has batted for the exemption of both direct and indirect taxes for all startups in India. Taxation is a barrier for technology adoption and proves to be an immense hurdle for budding entrepreneurs.

## 8. CONCLUSIONS

At present day, start ups are growing like a grapevine. Startup India is about challenging

conventions and spurs a revolution of unique and emphatic business models. It is the precursor to India taking Centre stage in the new world order. According to Nasscom, India ranks third in global start-up ecosystem. More than 65% growth is seen in the year 2015. Start-up is an opportunity for an entrepreneur to educate and inspire others while some are thinking of how to do and what to do. The entry of accelerators and incubators has played a crucial role in shaping the path for this startup.

The success of Startup India campaign

hinges on initiatives like faster and easier registration of Companies, self-certification for many legal requirements, zero inspection for three years, funding for patents, and speed of patent protection. Startup needs support and encouragement from various perspectives in initial phase and subsequently the growth phase till establishment on firm footing. Technology based startup have a significant importance in India. According to PM Narendra Modi the start-ups ,its technology and innovation is exciting and effective instruments for India's transformation.

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