

**A STUDY ON THE IMPACT OF STARTUPS WITH SPECIAL
REFERENCE TO KOCHI CITY**

Project Report

Submitted by

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Under the guidance of

Mrs. AKHILA P A

**In partial fulfillment of the requirement for the Degree of
BACHELOR OF COMMERCE**



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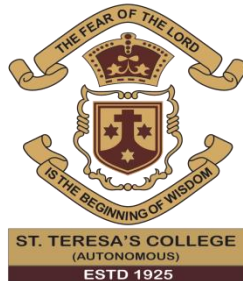
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CERTIFICATE

This is to certify that the project titled "**A STUDY ON THE IMPACT OF STARTUPS WITH SPECIAL REFERENCE TO KOCHI CITY**" submitted to Mahatma Gandhi University in partial fulfillment of the requirement for the award of Degree of Bachelor in Commerce is a record of the original work done by **Ms. Fathima Heba H S , Ms. Eileen Lilly P A , Ms. Edna Angel Miriam** , under my supervision and guidance during the academic year 2020-23.

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We Ms. Fathima Heba H S, Ms. Eileen Lilly P A, Ms. Edna Angel Miriam, final year B.Com students, Department of Commerce (SF), St. Teresa's College (Autonomous) do hereby declare that the project report entitled “A STUDY ON THE IMPACT OF STARTUPS WITH SPECIAL REFERENCE TO KOCHI CITY” submitted to Mahatma Gandhi University is a bonafide record of the work done under the supervision and guidance of Mrs. Akhila P A, Assistant Professor of Department of Commerce (SF), St. Teresa's College (Autonomous) and this work has not previously formed the basis for the award of any academic qualification, fellowship, or other similar title of any other university or board.

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Fathima Heba H S

Eileen Lilly P A

Edna Angel Miriam

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CHAPTER - 1
INTRODUCTION

1.1 INTRODUCTION

A start-up venture could be defined as a new business that is in the initial stages of operation, beginning to grow and is typically financed by an individual or small group of individuals. It is a young entrepreneurial, scalable business model built on technology and innovation wherein the founders develop a product or service for which they foresee demand through disruption of existing or by creating entirely new markets. Start-ups are nothing but an idea that manifests into a commercial undertaking.

Start-ups have been playing a critical role in shaping the very entrepreneurial characteristic of India. In the present decade, India is undertaking an essential shift towards start-up welcoming policies and a business friendly environment. India is a populated country having increasing demand which is putting a competitive environment forcing us to create innovative systems. These start-up ecosystems work on a continuum from basic research to the transfer into developed companies or entrepreneurs. To corroborate this process, most of the works are using the record number of patents as a proxy, given the difficulty of measuring new products, services and processes for the market.

1.2 STATEMENT OF THE PROBLEM

The emergence of the startup wave in India is a relatively new phenomenon. Today India is undergoing a fundamental shift with entrepreneurship and innovation being the primary catalyst in job creation and solving everyday problems. A decade ago, there were only a handful of startups. But, now the Indian startup ecosystem has indeed come a long way. This research report intends to evaluate the impact of startups in the economy, with special reference to Kochi city.

1.3 SIGNIFICANCE OF THE STUDY

Start-ups are the centres of innovation. Start-ups create jobs which means more employment, and more employment means an improved economy. The very nature of start-ups make start-ups a necessity for growing economies like India. What start ups offer in terms of economic contribution is very huge and game changer in terms of innovation, opening of newer markets and production/consumption of unique/innovative products for the consumer and creating a generation which believes deeply in being job providers rather than job seekers. Other than that, start ups and their existence and their successful operations motivates others to follow the same line. In a way, it creates huge hubs of successful enterprises, and makes traditional economies innovation based economies. Start ups also help in creating an environment of mutual development and creativity based employability.

1.4 OBJECTIVES

- To understand Start-ups and their significance
- To examine the various issues and challenges of start-ups
- To identify various government initiatives for the development of start-ups
- To analyse the growth and opportunities of start-ups

1.5 RESEARCH METHODOLOGY

The study is based on a descriptive research method and undertakes primary data into account. Research methodology further includes the various objectives and hypotheses designed for the study, along with literature review. The information and inputs are gathered from various sources (Secondary - websites and primary- questionnaire) to establish arguments and counter arguments for the impact of start-ups with special reference to Kochi city.

Tools used: This study is deeply analysed by the use of charts, pictures and graphs. In this assignment, pictures, tables and graphs have been used to have clarity in the study.

1.6 LIMITATIONS

1. The sample size is limited to 50 respondents due to time constraints.
2. Study is restricted to Kochi city only.
3. The inherent drawback of the primary data is applicable to this study.
4. The responses from the respondents may be biased and prejudiced.

CHAPTER - 2
LITERATURE REVIEW

2.1 REVIEW OF LITERATURE

1. Sharifi Omid and Hossein, Karbalaei, Bentolhoda “Understanding The Financing Challenges Faced By Startups In India” (2015) India is a country in South Asia. It is the seventh-largest country by area and the second-most populous country with over 1.2 billion people. Large population implies a large potential market in India; however, it also leads to heavy employment pressure in Indian society. In recent years the self-employment consciousness among college students is increasing and the students are less likely to rely on parents or schools or wait for opportunities. Instead, they tend to take initiative to look for new chances for themselves. Many businesses start with a dream, but it takes more than just a dream for them to grow into successful businesses—including the tenacity to overcome the many challenges facing start-ups today. Start -ups take time, effort, and energy. Funding is a major concern for start-ups and small businesses. When the economy tanked, it made it harder to convince investors and banks alike to part with the cash that is essential for growth in the early days of a business. Credit today is tight, and it is not clear precisely when it will become more readily available. Plus, there is a growing trend of smaller initial investments in early stage start -ups. Intensifying the challenge of raising funds, major leaps in technology have led investors to raise the bar in terms of how much legwork entrepreneurs are expected to do before even pitching their companies. ”

2. Badra, Shailja, Dr. Sharma and Vivek (2016) in their research paper title “Start -up India- New Opportunities For The Entrepreneur” - “The success of Start -up 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. It is important to add provisions which aid the closure of dead companies within 90 days. Indian lawmakers could do this under the new bankruptcy bill. The central theme is that ease of starting and ending is critical in the context of a high rate of start- up mortality. The Government proposal to do so, across Universities, innovation movements, research parks and industry parks is on similar lines. The promise of an initial capital of ten thousand crores over a period of four years from the government is capable of attracting tenfold investment by

2022. Credit guarantee for start -up lending is the booster dose required to galvanize Indian industry. Incentives in the form of a tax holiday for three years are a benefit worth considering.

3. Grant Thornton (2016) “Start-Up India- an Overview” for ASSOCHAM India - “Start-ups have been the flavor of the season over the last few years for the Indian markets. This has resulted in the emergence of a number of home grown unicorns across the country. One of the major contributors leading to this development has been the mega funding that has been ploughed into most of these unicorns between the period 2007 and 2015. This has been in line with the global trend dominating the space. Even the aspiring unicorns have had a decent run during this period, where managing to find investors is usually considered a tough task. The trends of investments suggest that investors want to enter as an early investor, even before the start of the firm. From an overall viewing, India comes across as a thriving under-penetrated consumer driven market with a scope for exponential growth. Internet penetration and its increasing importance will drive most of the businesses. On account of the consumer demographics, with China being out of bounds, India offers the largest pie of investment opportunities that the world is eyeing.”

4. Andaleeb, Uruba and Singh, S.D, Dr. In their research paper title “A study of Financing Sources for Start-up Companies in India”(2016)

“Before the recent hysteria of Start-ups, India was mostly popular as an IT outsourcing destination that provided cheap and easy labour to the global companies for carrying on various back-end jobs. Technology startups in India date back almost three decades. On compilation of the Industry’s major landmark, Microsoft Accelerator in India came up with four distinct phases of growth and maturity that have traversed so far: software services and global delivery model, the dotcom era, the rise of product start-ups and growth of start-up ecosystem. Some of the milestones include US-based Texas Instruments’ decision to start an R&D centre in Bangalore in 1985 which further served to be an incubator for many of the current entrepreneurs and the launch of the infamous accounting software Tally in 1986. Aiming to foster entrepreneurship and promote innovation by providing an ecosystem that is conducive for growth of Start- ups, with an objective to facilitate India become a nation of job creators instead of being a nation of job seekers,the Indian Prime Minister launched the

initiative formally on January 16, 2016.

5. “Start – Ups: What You Need To Know”(2016) by “Nishith Desai Associates (NDA)”“A start-up is faced with a number of issues that have to be dealt with in order to grow into a successful organisation. Apart from planning the most effective business strategy for the company, the start-up needs to look at the regulatory environment, various legal issues, and the laws of the country where the start-up is proposed to be set up. In addition to this, the start-up will also need to examine the regulatory and tax regimes of locations it plans to do business in. In many instances, structuring the correct set up for a start-up helps to prevent future complications, and mitigate regulatory and tax risks at a future stage when the start-up is nearing maturity Perhaps the first step a start-up needs to take is to determine how it will be set up, from where the seed investment required to set up the start-up entity needs to be brought (colloquially referred to as “Structuring”) and what sort of entity it would like to function as. For certain professions, this may be limited to partnerships through the preferred entity tends to be a company. Incorporating a company requires certain steps, which we deal with in this paper”.

6. WaghMadhura , “Government initiative for Entrepreneurship development Start up India Stand up India” (2016) “In India Entrepreneurship is a less desirable career choice. Government policies and programmes, education and training are regarded as main constraining factors for entrepreneurship. Recommendations were directed towards liberalisation of government policies, capacity building through training and education, restructuring through incentives and tax structure to promote entrepreneurship and increased investment in research and development through growth in innovation. To address these recommendations, the 'Start up India Stand up India' initiative was announced by the government. It is an initiative by the government "to build a strong eco system for nurturing innovation and start ups in the country that will derive sustainable economic growth and generate large scale employment opportunities”.

7. Tyebjee and Bruno (1984) investigated the factors influencing the investment evaluation of venture capital funds in the US. The authors found that the evaluation factors

clustered into five categories: i) Market Attractiveness (i.e. size, growth, and access to customers), ii) Product Differentiation (i.e. uniqueness, patents, technical edge, profit margin), iii) Managerial Capabilities (i.e. skills in marketing, management, finance and the references of the entrepreneur), iv) Environmental Threat Resistance (i.e. technology life cycle, barriers to competitive entry, insensitivity to business cycles and down-side risk protection), and v) Cash-Out Potential (i.e. future opportunities to realise capital gains by merger, acquisition or public offering).

8. Macmillan et al. (1985) conducted a formal follow-up study to one by Tyebjee and Bruno (1984) and identified 27 criteria grouped into six categories namely, entrepreneur's personality, entrepreneur's experience, product characteristics, market characteristics, financial considerations and composition of the venture team, for the venture investment evaluation. The most important finding from the study is direct confirmation of the frequently iterated position taken by the venture capital community that above all it is the quality of the entrepreneur that ultimately determines the funding decision.

9. MacMillan et al. (1987) pointed out how successful ventures are distinguished from unsuccessful ventures by screening 150 ventures as per five major classes of criteria. An important finding is the identification of two major criteria that are predictors of venture success. These are the extent to which the venture is initially insulated from competition and the degree to which there is demonstrated market acceptance of the product.

10. Studies by Bliss (1999) and Karsai et al. (1998) reviewed the evaluation criteria used by the local venture capitalists across the CEE region and observed certain differences. Karsai et al. (1998) reported that in Hungary and Slovakia, venture capitalists focus more on the evaluation of market opportunities, while entrepreneurial skills and a strong track record are the key focus areas for venture capitalists in Poland. Bliss (1999) validated the importance of evaluating external factors, especially the country's legal and fiscal infrastructure. Both these studies in the region reinforce the importance of a return potential (i.e. return on investment).

11. A study by Rah et al. (1994) explored the investment evaluation criteria of Korean venture capitalists. The top six factors identified by them are: managerial capability, market attractiveness, superiority of product and technology, financing ability, availability of raw materials and production capability.

12. Pandey and Jang (1996), Ray and Ray and Turpin analysed the investment evaluation criteria used by venture capital funds, respectively, in Singapore and Japan. In both Singapore and Japan, the entrepreneur's personality and experience were found to be the most important aspects of evaluation, and financial considerations as the least important in venture investment evaluation. Similar results have been obtained by Pandey (1996) for venture capitalists in India.

13. Pandey and Jang (1996) examined the criteria used by venture capitalists in Taiwan for the evaluation of ventures. As per this study the five most substantial evaluation criteria used by the venture capitalists in Taiwan are: return on investment, entrepreneur's technical skills, market need for product, growth potential of market, and investment to be easily liquid. While five relatively least important evaluation criteria are: uniqueness of product, creation of a new market, no exception on making subsequent investments, track record relevant to the venture, government regulations and protection from competitive entry.

14. Yazdi et al. (1995) . The authors present a knowledge-based method to investigate how the complexity and the non-linear behaviour of a startup necessitates the continuous application of entrepreneurs' knowledge and experience. Using the fuzzy-logic the authors develop a decision support system (DSS) to identify the tracking control tasks. The results show that startups adopting the proposed DSS could reduce more than 25% in loss of time and energy.

15. Antlová (2008) investigates how customer relationship management systems support startups in the knowledge sharing process with customers. Through the alignment of knowledge management strategies, long term business goals and efficient use of information

and communication technology startups could be successful.

16. Hu and He (2008) propose a project knowledge management system to support the processes of knowledge capturing, knowledge sharing and knowledge reusing for startups in managing the complexity of multiple projects. According to these authors, a project knowledge management system is based on five main functions: (1) capture; (2) digitization; (3) validation; (4) share; and (5) reuse. The proposed web-based system allows project teams of startups to manage knowledge reuse in multiple project environments.

17. Midler and Silberzahn (2008) develop a project-learning-based system to manage knowledge in startups. Specifically, this system allows startups to integrate three different bodies of knowledge: project management, organisational learning and entrepreneurship.

18. Skawińska and Zalewski (2020) define the startup as a young, small, independent, creative, innovative company that performs research and development activities in order to solve real problems and propose future solutions, with an attractive business model and a talented team. Under this approach, we consider that a startup company may be defined as a business organisation created by entrepreneurs within a collaborative structure.

19. According to Rauch (2020) the identification of success factors for startups is addressed through mostly five types of reviews: meta-analysis, systematic literature review, bibliometric reviews, the synthesis of qualitative research and historiometric analysis. These analyses are based on the concept of “success”, understood both in terms of survival and in terms of growth.

20. Berkus (2006) considers the following five key factors for the success of startups: Idea, Founding Team, having a Functional Prototype, Strategic Relations, and Traction or Invoicing; being all factors equally relevant in the model. These factors have had a wide impact on subsequent research. The Berkus methodology has served as the basis for

calculating investments in Start-ups by applying a pre-money valuation based on how these five factors are valued in the start-ups to be invested (Dureux 2016). In addition, regarding the strategic relationships defined by Berkus, other authors such as Vanacker et al. (2013) emphasise that both venture capital investors and angel investors advocate efficient management, and as Collewaert (2012, 2016) indicates, they support entrepreneurs through planning. The importance of the invoicing factor in the Berkus context is recognized by the creative ways startups must employ to launch their businesses in an environment of limited resources.

CHAPTER - 3
THEORETICAL FRAMEWORK

Start-up: defined

An entity shall be considered as a startup (meaning of Startup) if it satisfies all the following conditions:

a. If it is incorporated/registered as any of the followings:

- Private Limited Company (as defined in Companies Act, 2013).
- Partnership Firm (registered under Partnership Act, 1932).
- Limited Liability Partnership (registered under Limited Liability Partnership Act, 2008).
- One Person Company (as defined in Companies Act, 2013).

Provided that such an entity is not formed by splitting up or reconstruction of a business already in existence.

b. It has not completed ten years since incorporation/registration as above.

c. Its turnover for any of the financial years has not exceeded INR 100 Crore.

d. It satisfies any of the following conditions:

- i) It is working towards: Innovation of new products/processes/services or Development of new products/processes/services or Improvement of existing products/processes/services.
- ii) It is a scalable business model with a high potential of: Employment generation or Wealth creation.

Evolution of Start-Up Ecosystem in India

The Great Depression 2008 crisis led to the evolution of the start-up ecosystem in India. Although the evolution has been going on from the late 90s in a way it was mainly confined to setting up small-scale businesses. The government in the late 1900s was offering incentives and encouraging people to come up and set up any kind of business on their own which would ultimately provide employment to the lower class and give a boost to Gross Domestic Product (GDP). At the beginning of 2000, we saw the rise of the internet in developed countries and slowly taking the pace within a decade in developing countries as well. Earlier, the world's start-up was mainly in the USA but now India is at number 3 in terms of the number of start-ups in the country. The COVID-19 pandemic accelerated the growth of start-ups in India, the unicorns have been rising like never before and also offering everyone regardless of their age the opportunity to start something on their own.

The pandemic accelerated the pace of evolution all over the world and not just in India. There used to be a time when everyone used to think twice before starting any business due to risk and uncertainty and remained always in doubt thinking whether it would work or not. But in the 21st century, anyone, regardless of their age or experience, can start anything on their own due to the internet revolution that has drastically reduced the initial cost of setting up their business. In the 20th century the term “start-up” didn’t exist but the concept of ‘small scale industry’ was known. Start-ups or any small-scale project is all about solving problems that their target or potential customers are facing and turning the solution of the problem into a business model. Owning a business nowadays has been easy like never before with so many opportunities are coming. Earlier, venture capital and angel investing used to be one of the major hindrances in a start-up but in the 21st century that problem has been solved by government schemes and venture capitalists are willing to invest in new business models. In 2020, alone Indian start-ups raised around \$9.3 billion. Artificial intelligence, machine learning, changing of lifestyle, robots evolution, the rise of the gig economy etc. provides immense opportunity to budding start-upfounders

Characteristics of Start ups

Startups have different features and characteristics than any other pre-existing business enterprises. These are highly innovative and odd structured entities; they have very little scope for organizational formalities/customs. In short all those elements which make a huge organization are completely missing or compromised in startups, for example organizational hierarchy is absent in startups. Following are the characteristics of Start-ups:

1. **Innovation/Disruptive-** The start ups have the main characteristic of being the most innovative in their approach of serving the customers/market. The level of innovation accommodated by start up is highest in any other entity which leads to disruption.
2. **Sizes of the company/entity/enterprise-** Start ups have typically small size wherein not more than 30/50 people are working. The size of their operations is also very limited which might grow as per the requirement and other factors.
3. **Organizational structure-** One of the significant characteristics of a startup is having a very flat and non-hierarchy based structure. Where founder (s) work very closely with the teammates and treat them as part of the innovation rather than employees, in reverse employees work with their full potential.
4. **Rapid growth-** Startups have the tendency to grow fast in terms of revenue and market share as the product and services being offered are very innovative and new for the customers/market.
5. **Unconventional sources of financing-** Startups, by their very nature are funded by unconventional sources over conventional sources like banks and financial institutions. They are mostly funded by individuals, venture capitalists, angel investors and entrepreneurial funding agencies (Softbank etc.).

6. **Risk and uncertainties-** All the start ups are usually very innovative and deal with uniqueness of product and services. More innovation attracts more risks and uncertainties. One of the most important fixtures of startups is that they are highly risky, as the market offerings are very unconventionally offered which, as a result, accelerate the level of risks and uncertainties.
7. **Initially focused on singular product/service-** Start ups initially (or forever) focus on single product/services to the targeted market. Unlike a company, they are very focused on their product offerings. They offer single product/services to market and after a long while may include some varieties.
8. **Available resources-** Contrary to common belief, start ups do not have many resources. They usually struggle a lot to attract resources and often fail in doing so. Once their product or presence is noticed, then only they get much needed resources. It is very unlikely for companies and other business entities.
9. **Overall environment-** The overall environment and culture in startups is very unique and vibrant. The average age of working people in startups is usually very low, it helps in making the environment less bureaucratic and more productive, which helps in bringing out the best in people.
10. **Flexibility-** One of the most important characteristics of startups is they are very flexible and responsive towards changes and events in the market. Their size of organization and product line makes it easy to undertake required changes to combat changes which bubble up due to certain events. In short their maneuvering is very smooth and easy.

Significance of Startups in the economy

The very nature of start-ups make it a necessity for growing economies like India. What start ups offer in terms of economic contribution is very huge and game changer in terms of innovation, opening of newer markets and production/consumption of unique/innovative products for the consumer and creating a generation which believes

deeply in being job providers rather than job seekers. Other than that, startups and their existence and their successful operations motivates others to follow the same line. In a way, it creates huge hubs of successful enterprises, and makes traditional economies innovation based economies. Start ups also help in creating an environment of mutual development and creativity based employability. Other than that, some of the significances of start ups in Indian economy are as under-

1. Creation of entrepreneurs and grassroots employment in the country which further reduces the burden of unemployment and helps in evolving a developed country.
2. Innovative patterns of production and consumption in the country makes a society of higher standard living. Start-ups provide such ways, which makes society's consumption innovative and unconventional
3. Building a culture of entrepreneurial excellence and incubation is encouraged by the Growth in startups which is a sign that the country is moving towards technological advancement, betterment in societal standards etc.
4. Boom in research and development in the country is encouraged by startups, thus the cutting edge technologies which lead to innovation and inventions can be developed. This boom in research helps in finding ways to serve the demands.
5. . Saving time and other resources can also be contributed to start ups, as they evolve solutions which are very time and resources saving for the customer.
6. A better image, a better message goes out as well with the growth of startups in the country. As they became the identity of the modern growth in the world replacing industrialization, countries producing the maximum number of startups are considered to be highly developed.
7. Encourages educational institutions to be more focused on innovation and entrepreneurial educational curriculum.
8. Overall, startups have huge importance when it comes to India and similar Countries, as these nations are needed to move away from traditional sources of income and for creating new avenues of jobs, revenues and production.

ADVANTAGES OF STARTUPS

1. Agility

Startups are smaller and less structured. They are innovative and keep improving their business models and processes. These allow them to adapt to disruptive technologies and changes in market conditions.

2. Efficiency

Startups offer their services in a more efficient, cost-effective and competitive manner. They are likely to be aware of their limitations and tend to focus on their core strengths. This causes them to partner with other small organizations.

3. Team Culture

Employees of large companies are attracted by prestige and big salaries. They easily lose sight of the company's vision, mission etc. Startup employees form a close-knit community that shares passion, beliefs, and values. They work together for the good of the company and its customers.

4. Personalization

Startups deliver their products and services with a personal touch. This creates a uniquely personal experience for their customers. They study and understand their customers' requirements.

5. Versatility

startups support learning and have a higher tolerance for mistakes. Both these

factors enhance the versatility of startup employees.

6. Flexibility Startups are very flexible and are more likely to work at the hours, the place and in the manner that suits you

DISADVANTAGES OF STARTUPS

1. Risk

The risk of failure is high. Working under such high risk can blur a startup's vision. So they either fail to identify market opportunities or overestimate their sales forecast. High risk hinders a startup's ability to attract experienced and competent staff.

2. Compensation

It takes a lot of effort to build a company, and long working hours are the norm for startups. The rewards might be low as it takes time to generate revenue and make profits. Some startups give up since it's demotivating to work without proper compensation.

3. Market Access

Many customers prefer a business that they have worked with over a new startup. Besides, it is more expensive to acquire new customers than to retain old ones. Without a customer base, understanding market needs also becomes a real struggle. All these factors combined increase the cost of business development for startups.

4. Team Composition

Some startups are born out of desperation since the founder could not find or hold on to a job. Such founders often struggle to build a team that the business needs to succeed. A successful startup requires founders/co-directors with complementary personalities and competencies. Even then disagreements can creep in when the going gets tough.

6. Processes

Startups are organizations that lack defined business processes and operational procedures. This exposes them to poor customer service and financial losses. Startups might thus opt to outsource non-core business processes to external service providers. But the associated costs could form a barrier.

7. Stress

Working for a startup is fun, but it could also become very stressful. Low compensation, many responsibilities and long working hours are more or less expected. Add legal prosecution, imminent business failure, and screaming customers and work becomes unbearable.

Issues and Challenges of Startups

Some of the major issues and challenges faced by startups

1. **Financial resources-** Availability of finance is important for the startups and is always a problem to get sufficient amounts. A number of finance options ranging from family members, friends, loans, grants, angel funding, venture capitalists, crowd funding etc are available. The financial requirement starts increasing as the business progresses.
2. **Revenue generation-** Several startups fail due to poor revenue generation as the business grows. As the operations increase, expenses grow with reduced revenues forcing startups to concentrate on the funding aspect, thus, diluting the focus on the fundamentals of business.
3. **Team members-** Startups normally start with a team consisting of trusted members with complementary skill sets. Usually, each member is specialized in

a specific area of operations. failure to have one sometimes could break the startup.

4. **Creating awareness in markets-** Startups fail due to lack of attention to limitations in the markets. The environment for a startup is usually more difficult than for an established firm due to the uniqueness of the product. The situation is more difficult for a new product as a startup has to build everything from scratch.

5. **Exceed customer expectations-** Due to new technologies that are emerging, the challenge to provide over and above an earlier innovation is pertinent.

6. **Tenacity of founders-** Founders of startups have to be tough when the going gets tough. The entrepreneur needs to be persistent, persuasive, and should never give up till he/she achieves desired results.

7. **Regulations-** Starting a business requires a number of permissions from government agencies. It is a challenge to register a company. Regulations pertaining to labor laws, intellectual property rights, dispute resolution etc. are rigorous.

8. **Lack of mentorship-** Lack of proper guidance and mentorship is one of the biggest problems that exist in the Indian startup ecosystem. Most of the startups have brilliant ideas and products, but have little or no industry, business and market experience to get the products to the market.

Opportunities for Startups

In spite of challenges and problems that startups are facing, Indian markets provide a set of opportunities to find solutions to solve them.

1. **Large Population-** The population of India is a huge asset for the country. it is expected that the working age population will exceed the non-working population. This will offer a great opportunity to any startup.
2. **Change of Mindset of Working Class-** Traditional career paths will be giving way to Indian startup space. Challenging assignments, good compensation packages would attract talented people to startups. , it is seen that several high-profile executives are quitting their jobs to start or work for startups.
3. **Huge Investments in Startups-** Huge investment in startups from foreign and Indian investors is taking place. by angels and venture capital/private equity players etc.

Government Initiatives

There are numerous government and semi-governmental initiatives to assist startups:

Start-Up India

This initiative provides three-year tax and compliance breaks intended for cutting government regulations and red tapism.

Mudra Yojna

Through this scheme, startups get loans from the banks to set up, grow and stabilize their businesses.

SETU (Self-Employment and Talent Utilization) Fund

Government has allotted Rs 1,000 Cr in order to create opportunities for self-employment and new jobs mainly in technology-driven domains.

E-Biz Portal

Government launched an e-biz portal that integrates 14 regulatory permissions and licenses at one source to enable faster clearances and improve the ease of doing business in India.

Royalty Tax The Indian government has reduced the royalty tax paid by businesses and startup firms from 10% to 25% .

The Kerala Startup Mission (KSUM) is the nodal agency of the government of Kerala for promoting entrepreneurship in the state.

In order to help startups in their entrepreneurial journey Kerala Startup Mission has introduced various schemes to support startups :

- Soft Loan Scheme for Women Entrepreneurs
- Innovation and Entrepreneurship Development Centres (IEDC's)
- International Exchange program
- Marketing Support
- Support to Rural Innovators

- Fund of Funds (funding scheme)
- Seed Fund for Women Entrepreneurs
- Startup Communities Development and Partnership Programmes, etc.

TYPES OF STARTUPS

Startups are mainly divided into 6 types , they are :

1.Lifestyle startups - Lifestyle entrepreneurs are living their preferred lives while working for no one, but themselves. They do this out of passion .

2. Small Business startups - Small businesses that run their own business to feed the family Small businesses are grocery stores, hairdressers, bakers, travel agents, carpenters, electricians, etc.

3.Scalable startups - Always search for a repeatable and scalable business model ..Such startups hire the best and the brightest.

4.Buyable startups - Born to be bought - Their goal is to be sold for a larger company for cash .

5.Large Company startups - Innovative or die-forced , to create new innovative products .Large companies have a finite life duration. Changes in customer preferences, new technologies, legislation issues, new competitors create pressure, forcing large companies to create new innovative products for new customers in new markets for example – Google and Android.

6. Social startups - They are passionate and driven to make an impact. Their mission is ‘difference’, not for wealth's sake but for ideas.

STAGES OF STARTUP AND AVAILABLE MODES OF FINANCE AT EACH STAGE

There are 6 phases of investment; Self-Funding or Bootstrapping, Friends and Family, Seed, Growth (also known as the 'Early Stage') and Expansion.

1. Self-funding/Bootstrapping

Self-funding being the first phase of the entire investment process is the stage in which a founder invests his or her money to begin the startup journey. A founder introduces the initial startup investment from his own funds/savings. Sometimes entrepreneurs also choose to provide funds via loans to their company.

2. Friends and Family

In the friends and family phase of investing, the founder reaches out to people from friends and family and asks them to put a portion if not all of their life savings in the business idea. The founder needs to be very honest with them about the risks of losing all of their investments in case the startup business stagnates.

A major risk is that because these investors are often not aware of the technicalities of running a newly setup business, they might have unrealistic expectations and may be too demanding on how much ownership stake they should be given.

3. Seed

The seed stage of investing is the first level of raising capital outside of the most common reach of the Entrepreneur such as self-funding. Usually, this round is sourced from professional, experts or seed capital investors such as Angel Investors can either individually, or in an angel group comprising small individual angel investors.

Angel Investors in most cases having their own businesses have experience,

they can provide more than just capital. Usually, the three most common traits of an Angel Investor include Wisdom, Wealth, and willingness to Work.

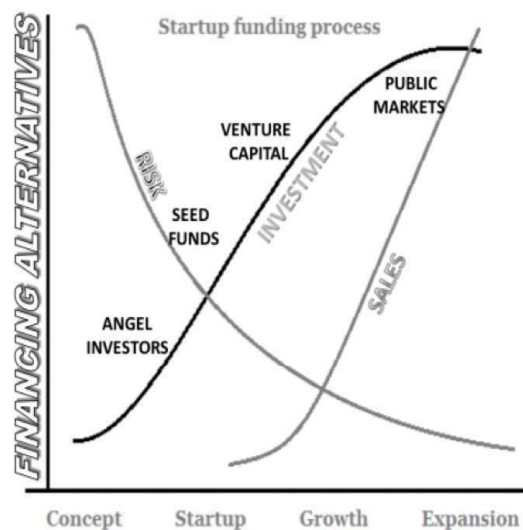
4. Growth/Early Stage

Early Stage Investing is the first round into venture capital. It is often used to scale the company's business model & often comes from larger institutional funds. Many of the famous venture funds are the commonly known early-stage investors in India. The major advantage of having a conventional venture fund as an investor is that they typically have sufficient funds for investment and therefore can provide growth capital in the future.

VCs invest money according to their fund size. An entrepreneur looking to raise INR 5 – 10 Crores could approach early stage Venture Capitalists also known as Micro VCs.

5. Expansion

The expansion stage is where the startup business is growing month over month at a good pace. Business valuation varies wildly in this phase and has a great scope for heavy negotiations.



CHAPTER - 4
DATA ANALYSIS AND INTERPRETATION

4.1 GENDER OF THE RESPONDENTS

Table 4.1

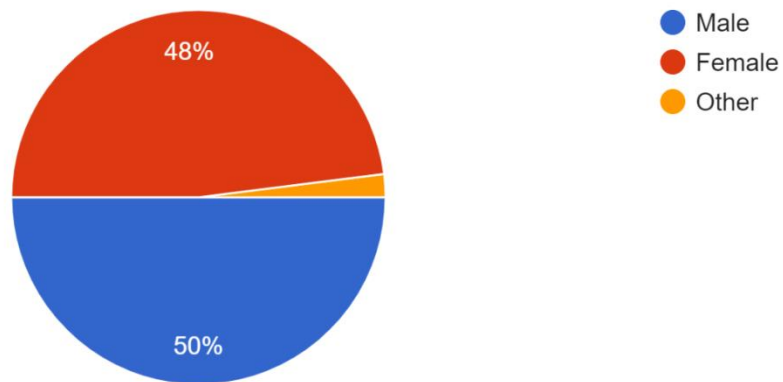
Classification of the respondents on the basis of gender.

Gender	Frequency	Percentage
Male	25	50%
Female	24	48%
Other	1	2%
Total	50	100%

(Source : Primary Data)

Figure 4.1 showing gender of the respondent's

1. Gender
50 responses



Interpretation : As per the figure 4.1 , 50% of respondents constitute males, 48% are females respondents and the remaining 2% constitute others.

4.2 AGE OF THE RESPONDENTS

Table 4.2

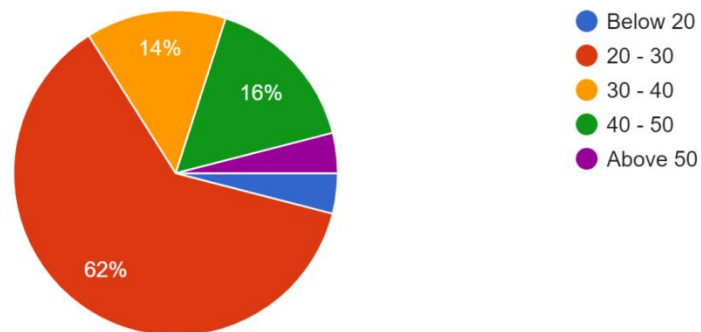
Showing the age of the respondents

Age	Frequency	Percentage
Below 20	2	4%
20 - 30	31	62%
30-40	7	14%
40-50	8	16%
Above 50	2	4%
Total	50	100%

(Source : Primary Data)

Figure 4.2 showing the age of the respondents

2. Age
50 responses



Interpretation : According to the chart 4.2, most of the respondents i.e. 62% of them are the age group of 20-30. 16% of the respondents are the age group of 40-50. 14% of them belong to the age group 30-40. Rest of them belong to the age group of above 50.

4.3 PLACE OF RESIDENCE

Table 4.3

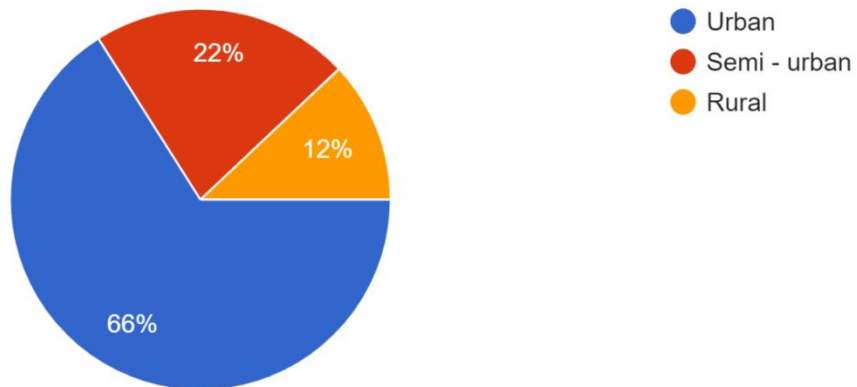
showing the place of residence of the respondents

Place	Frequency	Percentage
Urban	33	66%
Semi- urban	11	22%
Rural	6	12%
Total	50	100%

(Source : Primary Data)

Figure 4.3 showing the place of residence of the respondents

3. Place of residence
50 responses



Interpretation :

From the table and chart it is clear that the majority i.e. 66% of the respondents are from urban area, 22% from Semi-urban area and the remaining 12% from rural area.

4.4 OCCUPATION OF THE RESPONDENTS

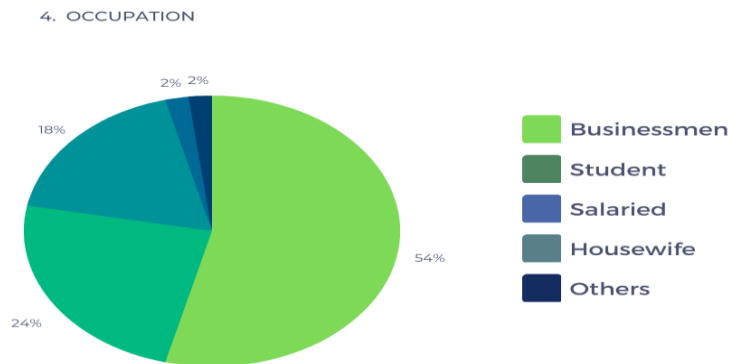
Table 4.4

Showing the occupation of the respondents

Occupation	Frequency	Percentage
Businessmen	27	54%
Student	12	24%
Salaried	9	18%
Housewife	1	2%
Others	1	2%
Pensioner	0	
Total	50	100%

(Source: Primary Data)

Figure 4.4 showing the occupation of respondents



Interpretation:

The table above shows the occupational status of the respondents. The majority of the respondents i.e., 54% were businessmen. Another 24% of the respondents who took part were students. 18% were salaried and the remaining 4% were housewives.

4.5 FAMILIARITY WITH THE CONCEPT OF STARTUPS

Table 4.5

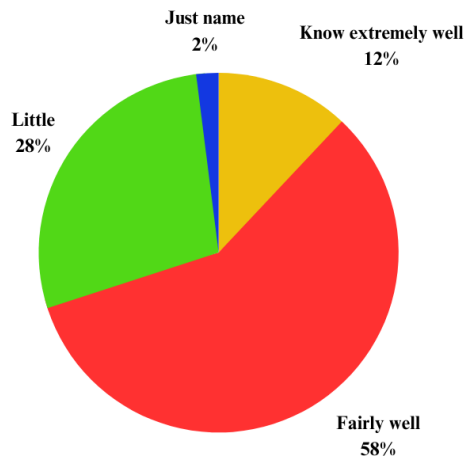
Showing the familiarity of the concept of startups to the respondents

Familiarity	Frequency	Percentage
Know extremely well	6	12%
Fairly well	29	58%
Little	14	28%
Just name	1	2%
Never heard of it	0	0%
Total	50	100%

(Source: Primary Data)

Figure 4.5 showing the familiarity of the concept of startups to the respondents

5. Familiarity about the concept of startups



Interpretation:

The above table makes an attempt to study the awareness of the respondents regarding the topic of Start-ups. Majority of the respondents, 58% had fair knowledge about the topic. 12% of the respondents were extremely knowledgeable about the topic whereas 28% had little knowledge of the topic. The remaining 2% were only familiar with the term 'Startups'.

4.6 INSPIRATION TO START THE BUSINESS

Table 4.6

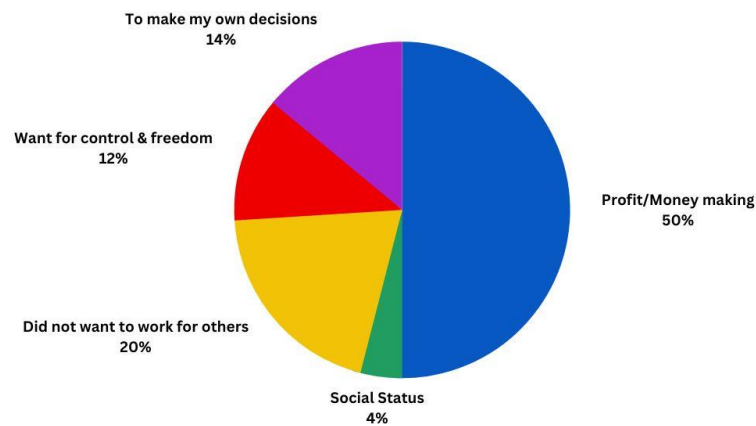
Showing the factors that inspired the respondents

Factors	Frequency	Percentage
Profit / Money making	25	50%
Did not want to work for others	10	20%
Want for control and freedom	6	12%
To make my own decisions	7	14%
Social Status	2	4%
Total	50	100%

(Source: Primary Data)

Figure 4.6 showing the factors that inspired the respondents to start their own business

6. Inspiration to start the business



Interpretation :

The table above makes an attempt to study what inspired the respondents to start their own business. 50% respondents chose profit/money making as inspiration. 20% did not want to work for others, 14% wanted to make their own decisions, 12% wanted Control and freedom and the rest 4% chose Social Status as inspiration.

4.7 TYPE OF STARTUP THE RESPONDENTS OWN

Table 4.7

Showing the type of startup owned by the respondents

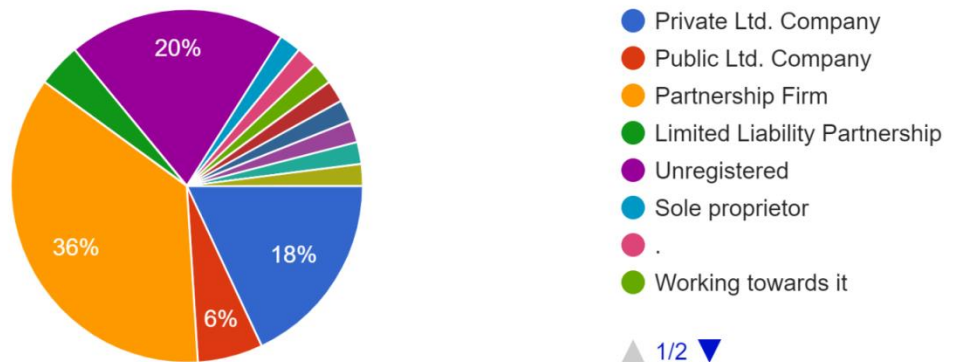
Type	Frequency	Percentage
Private Ltd. Company	9	18%
Public Ltd. Company	3	6%
Partnership Firm	18	36%
Limited Liability Partnership	2	4%
Unregistered	10	20%
Others(sole proprietorship, self-entrepreneur)	8	16%
Total	50	100%

(Source: Primary Data)

Figure 4.7 Showing the type of startup owned by the respondent's

7. Type of startup (you own)

50 responses



Interpretation:

The table and chart above displays information regarding the type of Startups owned by the respondents. 36% owns Partnership firms, 20% owns unregistered, 18% owns Private Ltd. Company, 6% owns Public Ltd. Company, 4% owns Limited Liability Partnership. The remaining 16% comprises Others (Sole proprietorship & Self Entrepreneur).

4.8 CURRENT STAGE OF THE RESPONDENT'S STARTUPS

Table 4.8

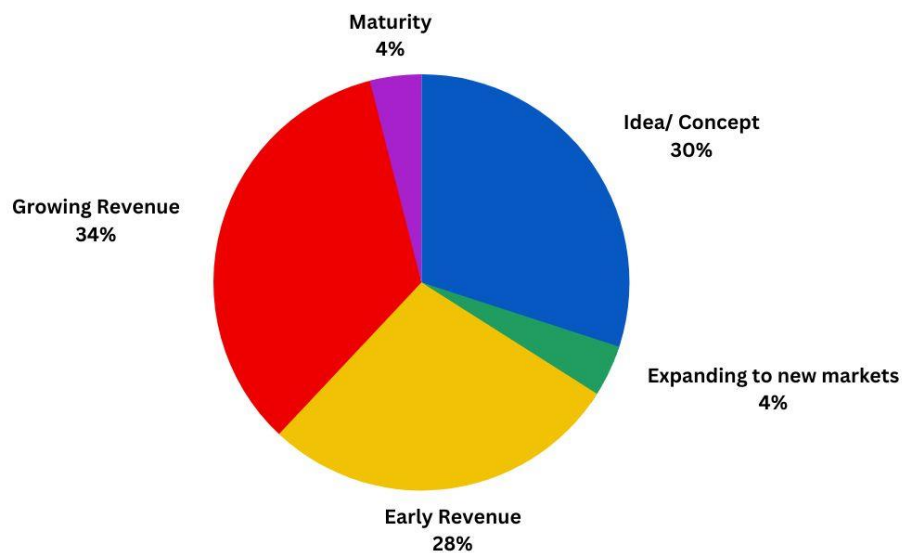
Showing the stage at which the respondent's startups are

Stage	Frequency	Percentage
Idea / Concept	15	30%
Beta / Prototype	0	0%
Early revenue	14	28%
Growing Revenue	17	34%
Maturity	2	4%
Expanding to new markets	2	4%
Total	50	100%

(Source: Primary Data)

Figure 4.8 showing the current stage of the respondent's startup

8. Stage of startup



Interpretation :

The table above studies the current stage of the respondent's Startups. 34% are in Growing revenue stage, 30% in the stage of Concept/ideas, 28% in Early revenue stage, 4% are expanding to new markets and another 4% are in the the stage of maturity.

4.9 TOTAL NUMBER OF FOUNDER(S) OF THE RESPONDENT'S

STARTUP

Table 4.9

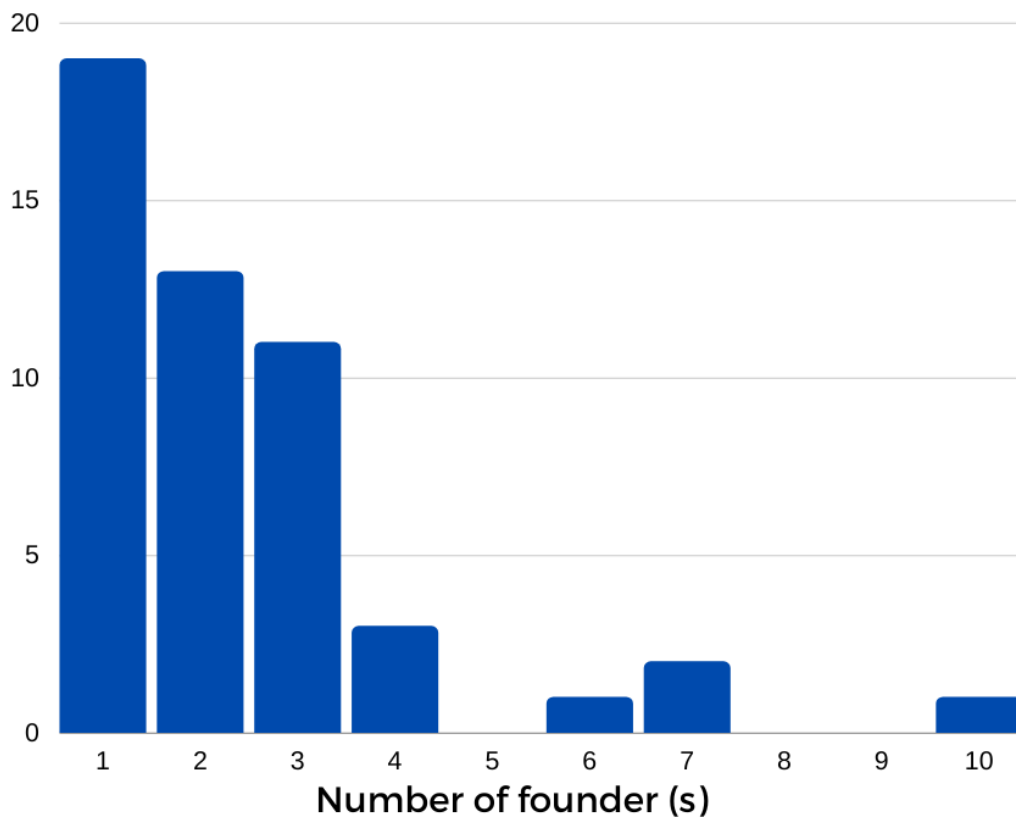
Showing the number of founder (s)

Number of founder(s)	Frequency	Percentage
1	19	38%
2	13	26%
3	11	22%
4	3	6%
5	0	0%
6	1	2%
7	2	4%
8	0	0%
9	0	0%
10	1	2%
Total	50	100%

(Source : Primary Data)

Figure 4.9 showing the total number of founder(s) in the respondent's startup

9. The total number of founder(s) in the respondent's startup



Interpretation :

The table studies the number of Founders in the startup. 38% of the respondents claimed to have one founder whereas 26% had two founders, 22% had three founders, 4% had 7 founders, 2% had 6 founders and another 2% had 10 founders.

4.10 AGE OF THE RESPONDENT'S START-UP (IN YEARS)

Table 4.10

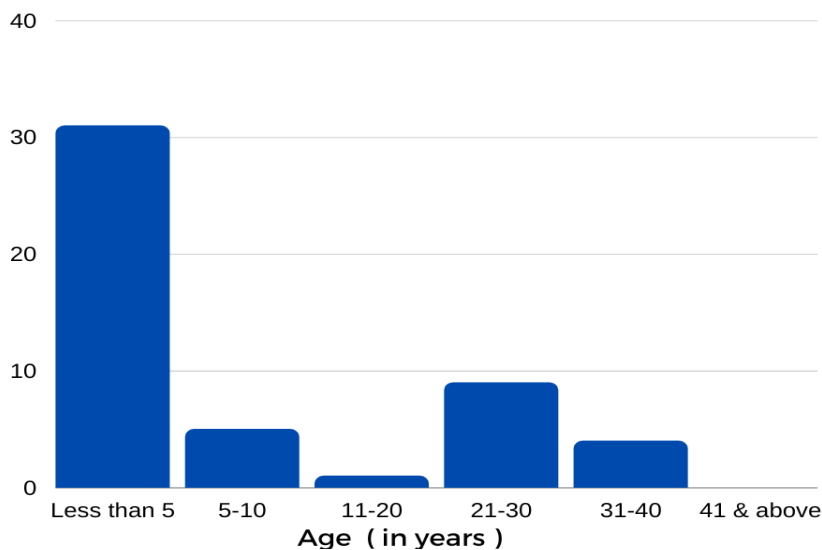
Showing the age of respondent's startup

Age (in years)	Frequency	Percentage
Less than 5	31	62%
5-10	5	10%
11-20	1	2%
21-30	9	18%
31-40	4	8%
41 and above	0	0%
Total	50	100%

(Source: Primary Data)

Figure 4.10 showing the age of respondent's startup (in years)

10 . Age of the start-up ? (in years)



Interpretation:

The table above portrays the age of the Startups of the respondents. Majority of the startups i.e., 62% are less than 5 years of age. 18% are of ages 21-30, 10% are of ages 5-10, 8% are of ages 31-40 and the rest 2% 11-20.

4.11 BACKGROUND OF THE FOUNDER (S) OF RESPONDENT'S

STARTUP

Table 4.11

Showing the background of the founder(s) of startup

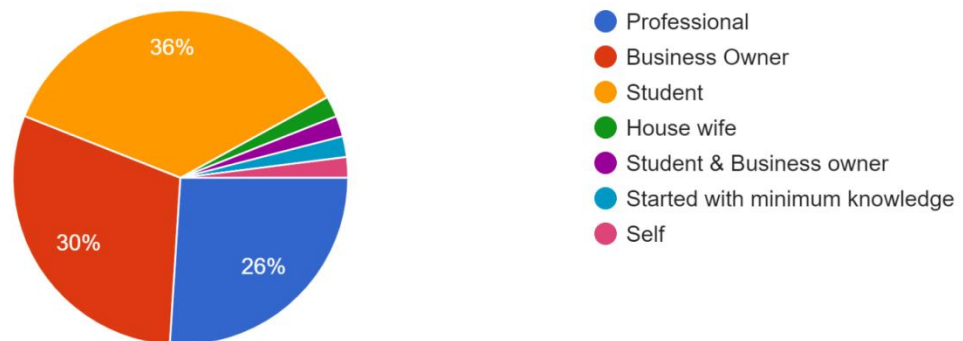
Background of founders	Frequency	Percentage
Professional	13	26%
Business Owner	15	30%
Student	18	36%
Others	4	8%
Total	50	100%

(Source: Primary Data)

Figure 4.11 showing the background of the founder(s) of respondent's startup

11. Background of Founders

50 responses



Interpretation:

The table above makes an attempt to show the background of the Founders. 36% of the Founders are students, Business owners make up 30%, 26% consist of professionals and 2% started with minimum knowledge. The remaining 6% consists of House wives and student business owners .

4.12 TYPE OF CUSTOMER(S) TARGETED BY THE RESPONDENT'S

STARTUP

Table 4.12

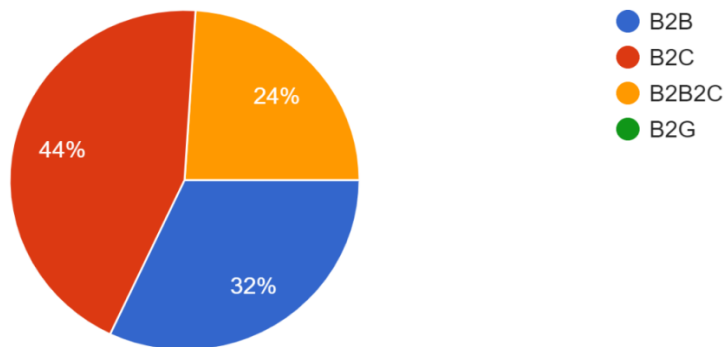
Showing the type of customers targeted by the startup

Type	Frequency	Percentage
Business to Business	16	32%
Business to Consumer	22	44%
Business to Business to Consumer	12	24%
Business to Government	0	0%
Total	50	100%

(Source: Primary Data)

Figure 4.12 showing the type of customers targeted by the respondent's startup

12. Type of customers targeted by the respondent's startup



Interpretation:

The above table studies the targeted customers of the startup. B2C makes up the majority of the targeted customers with 44%. B2B with 32% and the rest 24% with B2B2C.

**4.13 SECTOR THAT BEST DESCRIBES THE STARTUP OF THE
RESPONDENT'S**

Table 4.13

Showing the different sectors of the respondent's startup

Sector	Frequency	Percentage
Agriculture	2	2%
Social Commerce	5	5%
Consumer Goods	11	12%
Data & Analytics	2	2%
Education	7	7%
Media & Entertainment	2	2%
Financial Service	3	3%
Energy / Renewable energy	3	3%
Transportation & Logistics	5	5%
Sports & Recreation	3	3%
Health	4	4%
Enterprise & Corporate	2	2%
Social Enterprise	2	2%
Food	7	7%
Water Supply	1	1%
Manufacturing	3	3%

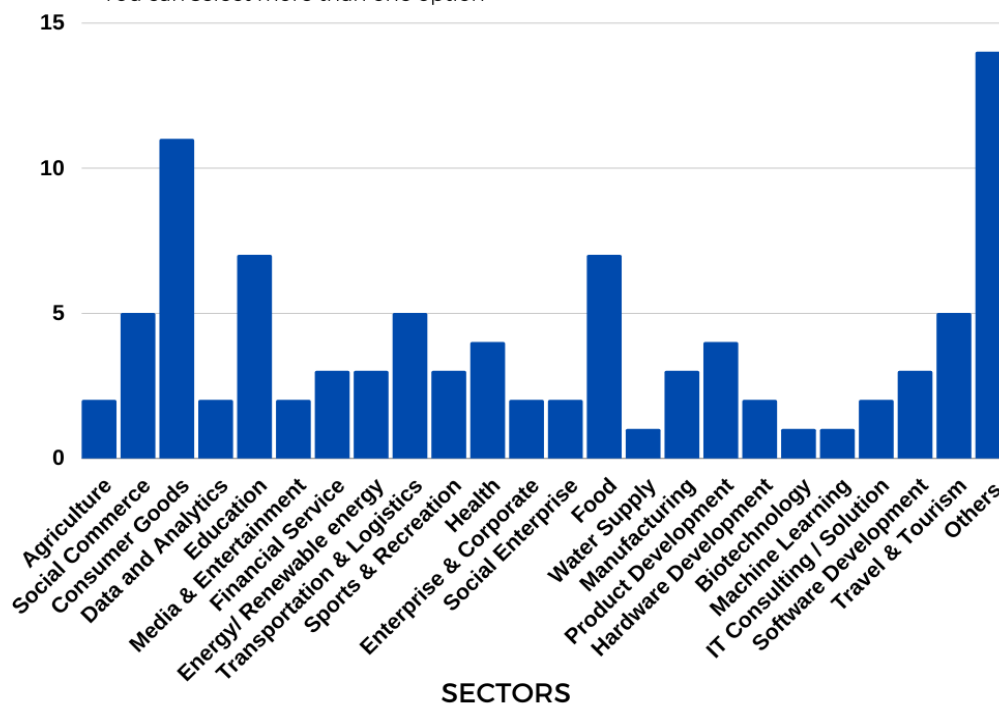
Product Development	4	4%
Hardware Development	2	2%
Biotechnology	1	1%
Machine Learning	1	1%
IT Consulting / Solution	2	2%
Software Development	3	3%
Travel & Tourism	5	5%
Others	14	15%
Total	94	100%

(Source: Primary Data)

Figure 4.13 showing the sectors in which the respondent have their startup

13. Sector that best describes your startup

You can select more than one option



Interpretation:

The table above studies the sector that best describes the respondent's startup.

12% chose consumer goods, 7% of the respondents chose education, and another 7% chose food. Social commerce, transportation & logistics, travel & tourism were selected by 5% of the respondents each. Others chose Health (4%), Product development (4%), Financial services (3%), energy/renewable energy (3%), Sports & recreation (3%), manufacturing (3%), Software Development(3%), Data & Analytics(2%), Agriculture (2%), Enterprise corporate(2%), Social enterprise (2%), IT consulting/ solution(2%), Hardware development (2%) and water supply(1%) respectively. The remaining 15% chose "others".

4.14 FINANCIAL CONCESSION FROM GOVERNMENT AND IT'S MATERIALIZATION

Table 4.14

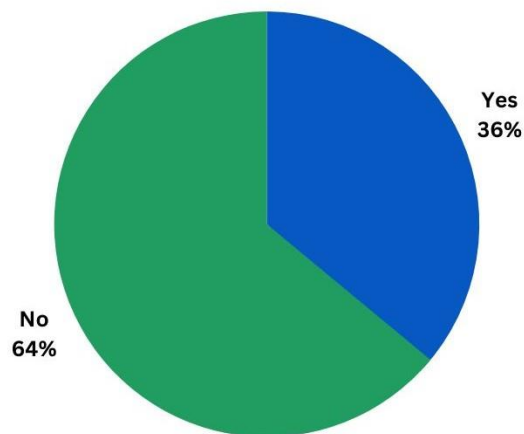
Showing the number of respondent's startups which expected and materialized financial concessions from the government.

Materialized financial concession	Frequency	Percentage
Yes	18	36%
No	32	64%
Total	50	100%

(Source: Primary Data)

Figure 4.14 showing the respondents who obtained / did not obtain financial concession from government

14. Financial concession from the Government and its materialization



Interpretation:

The table above intends to study the materialization of financial concessions received from the government, if any. 64% responded that they did not use financial concessions whereas 36% agreed that they used financial concessions from the government.

4.15 CAPITAL INFUSED IN THE RESPONDENT'S STARTUP SO FAR (in Rs.)

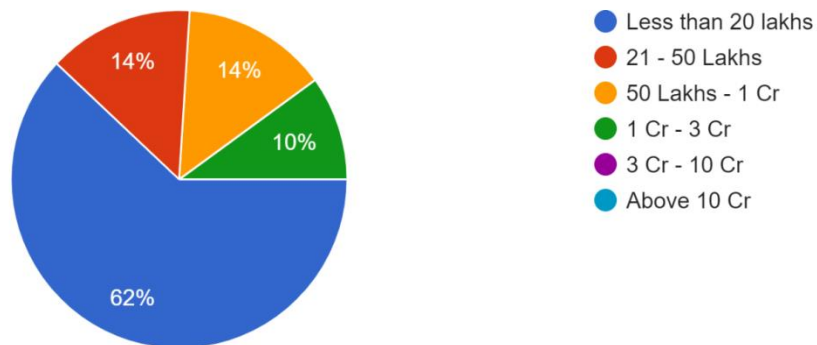
Table 4.15 showing the amount of capital (in Rs.) infused by the respondent's in their startup

Amount (in Rs.)	Frequency	Percentage
Less than 20 Lakhs	31	62%
21-50 Lakhs	7	14%
50 Lakhs - 1 Cr.	7	14%
1Cr. - 3 Cr.	5	10%
3Cr - 10 Cr.	0	0%
Above 10 Cr.	0	0%
Total	50	100%

(Source: Primary Data)

Figure 4.15 showing the amount of capital infused by the respondents

15. Capital infused in the respondent's startup so far



Interpretation:

The table above displays information regarding the capital infused to the respondent's startups. Out of the total, 62% fall under less than 20 lakhs, 10% under 1 Cr- 3 Cr, 14% under 50 lakhs- 1 Cr and other 14% under 21-50 lakhs.

4.16 OVERALL PERFORMANCE OF STARTUPS

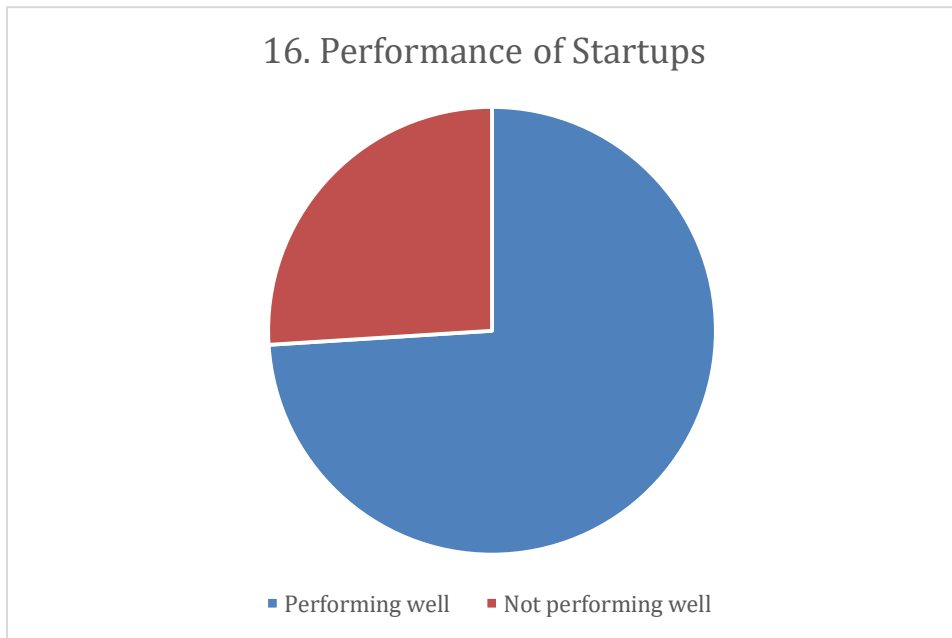
Table 4.16

Showing the opinions of the respondent's about the overall performance of startups.

Startups are performing well	Frequency	Percentage
Performing well	37	74%
Not performing well	13	26%
Total	50	100%

(Source: Primary Data)

Figure 4.16 showing the opinions of respondents about the performance of startups



Interpretation:

The above table and graph shows that out of the 50 respondent's (100 %), 26% of the respondents gave an opinion that startups are not really performing well. On the contrary 74 % of the respondents say that startups are performing well. So it is analysed that startups are really performing well.

4.17 NEED FOR MERGING OR ACQUIRING STARTUPS WITH ESTABLISHED COMPANIES

Table 4.17

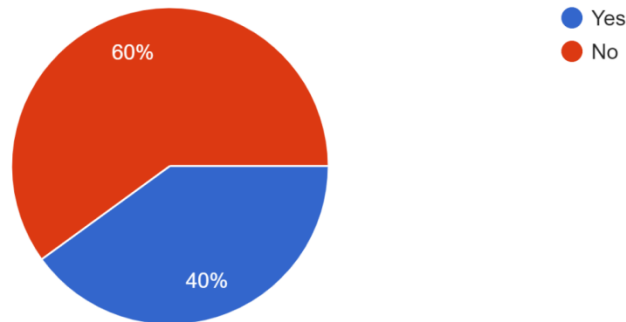
Showing the views of respondents about startups being merged / acquired with established companies

Need	Frequency	Percentage
Yes	20	40%
No	30	60%
Total	50	100%

(Source: Primary Data)

Figure 4.17 showing the responses about startups being merged/acquired with established companies

17. Need for merging or acquiring startups with established companies



Interpretation:

As per the above data 40% supported that their startups needs to be acquired or merged with established companies and 60% were against the opinion of merging/acquisition. It is analysed that many startup founders are of the opinion that startups should not be merged/acquired with established companies.

4.18 GST IS ADVERSELY AFFECTING STARTUPS IN ALL ASPECTS

Table 4.18

Showing the respondent's view on the effect of GST on startups

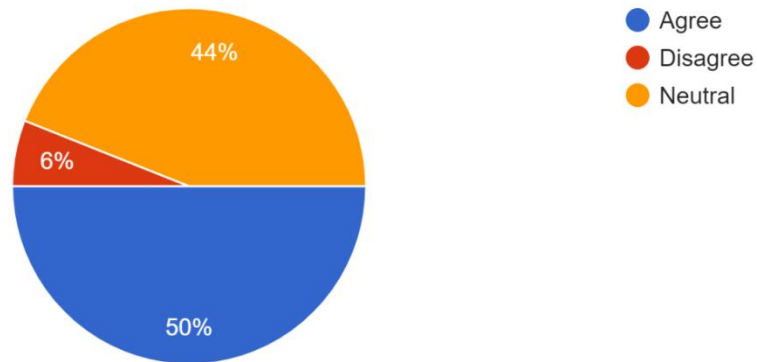
GST affects startups	Frequency	Percentage
Agree	25	50%
Disagree	3	6%
Neutral	22	44%
Total	50	100%

(Source: Primary Data)

Figure 4.18 shows the respondent's opinion about 'GST affecting startups in all aspects'

18. GST is adversely affecting startups in all aspects

50 responses



Interpretation:

The above table shows that 50% feels that GST is adversely affecting startups in all aspects, 6% says that GST is not affecting startups, 44% of the respondents have neutral opinion about GST affecting startups.

**4.19 SECTORS IN WHICH THE STARTUPS ARE MAINLY
CONCENTRATED/ HAVE VAST SCOPE ACCORDING TO THE
RESPONDENTS**

Table 4.19

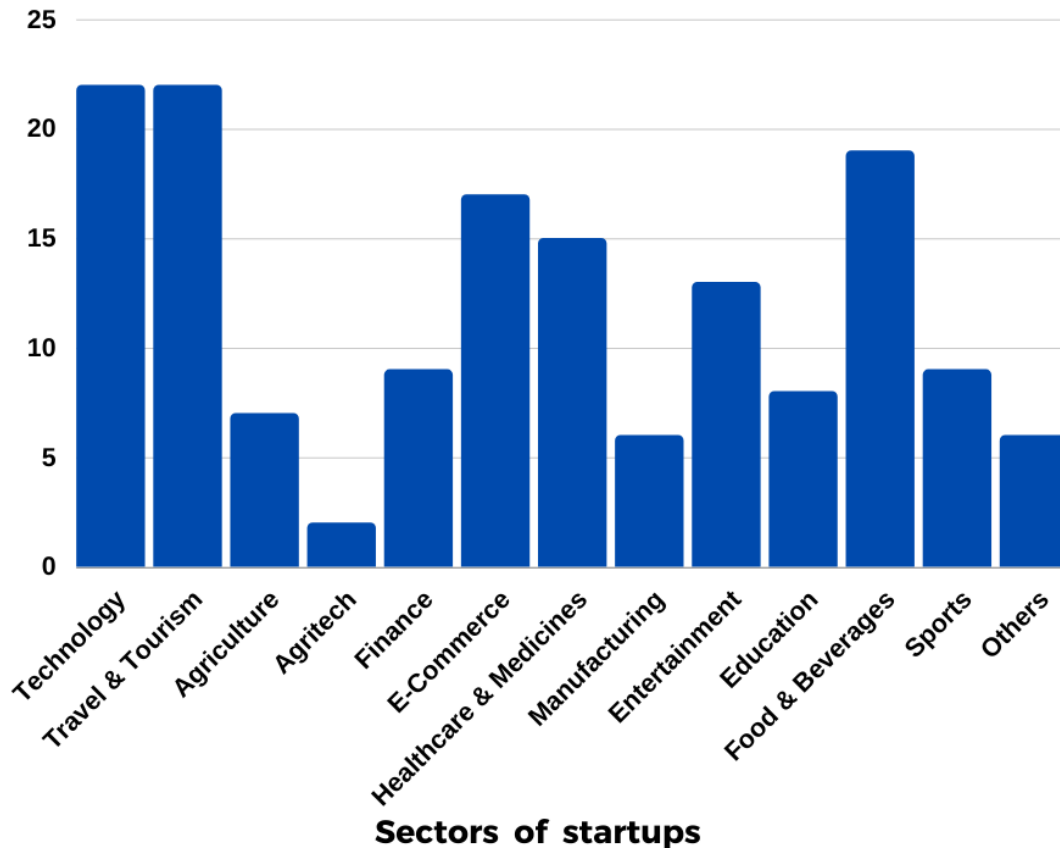
Showing the different sectors in which the startups have vast scope

Sectors	Frequency	Percentage
Technology	22	44%
Travel & Tourism	22	44%
Agriculture	7	14%
Agritech	2	4%
Finance	9	18%
E-Commerce	17	34%
Healthcare and Medicines	15	30%
Manufacturing	6	12%
Entertainment	13	26%
Education	8	16%
Food & Beverages	19	38%
Sports	9	18%
Others	6	12%
Total	155	100%

(Source: Primary Data)

Figure 4.19 shows the various sectors in which startups are concentrated/have vast scope

19. According to you in which sectors are startups mainly concentrated / have vast scope



Interpretation:

As per the above data startup founders think that Technology (44%) and Travel & Tourism (44%) sectors have vast scope. Followed by Food & beverages (38%), E-commerce (34%), Healthcare (30%), Entertainment (26%), Sports and Finance (18% each). The rest comprised of Education (16%), Manufacturing (12%) and a minority of 4% chose Agritech. So, it is analysed that maximum startups are currently concentrated in Technology and Travel & Tourism.

**4.20 IMPORTANCE OF EDUCATION / EXPERIENCE FOR THE
SUCCESS OF A STARTUP**

Table 4.20

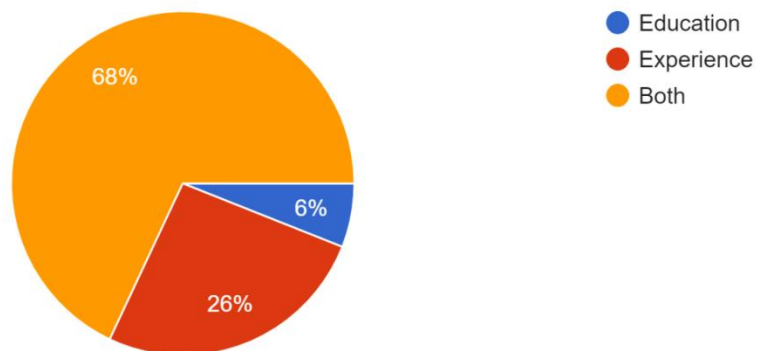
Shows the startup founders view on education / experience as the factors which contribute to the success of a startup.

Factor	Frequency	Percentage
Education	3	6%
Experience	13	26%
Both	34	68%
Total	50	100%

(Source: Primary Data)

Figure 4.20 showing importance of education / experience for the success of a startup

20. Importance of education / experience for the success of a startup



Interpretation:

As per the above data it is analysed that 68% of the people believed that both education and experience is essentially required for the success of a startup and 26% of people believed that Experience alone is required for the success of a startup while other 6% stated that Education alone is required for a startup's success.

So, it is analysed that it would be good if one has both Education and experience together to make a startup successful.

4.21 CONTRIBUTION OF STARTUPS TOWARDS ECONOMY AND EMPLOYMENT

Table 4.21

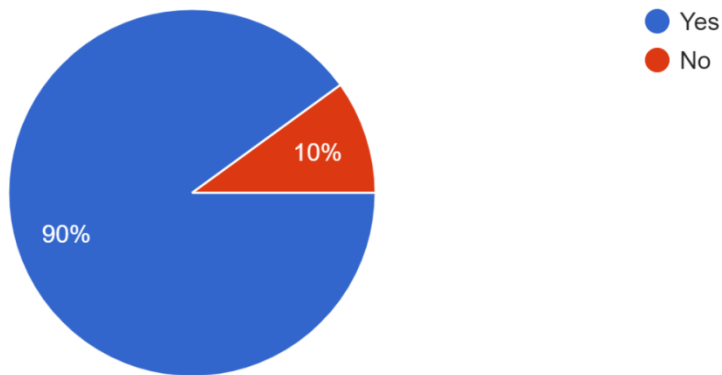
Showing respondent's view on whether startups contributes to economy and employment

Does startups contribute	Frequency	Percentage
Yes	45	90%
No	5	10%
Total	50	100%

(Source: Primary Data)

Figure 4.21 shows whether startups contributes to economy and employment

21. Contribution of startups towards economy and employment



Interpretation:

As per the above data 60% of people agree that startups really contribute toward the Economy and provide employment and only 40% of people think that startups are not really contributing that much to Economy and Employment.

So, it is analysed that Startups are contributing towards Nation's Economy and towards Employment generation.

4.22 RESPONDENT'S VIEWS ON INVESTING IN A STARTUP

Table 4.22

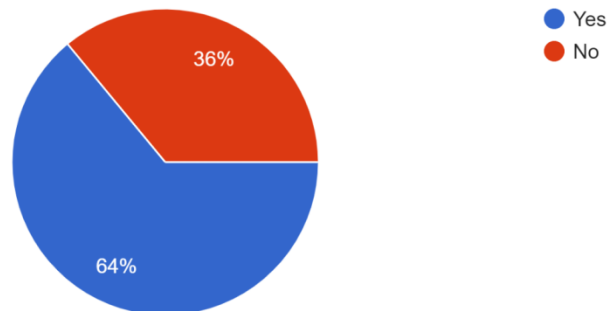
Showing startup owners reaction as an investor to fund a startup

Fund a startup	Frequency	Percentage
Yes	32	64%
No	18	36%
Total	50	100%

(Source: Primary Data)

Figure 4.22 shows whether a startup owner, as an investor would like to fund a startup

22. Respondent's views on investing in a startup



Interpretation:

The above data studies the perception of respondents towards investing in startups. 64% are willing to invest in startups and 40% are not willing to invest in startups. So, it is analysed that many are willing to invest and fund startups.

4.23 FACTORS THAT INFLUENCED THE SETTING UP OF A STARTUP

Table 4.23

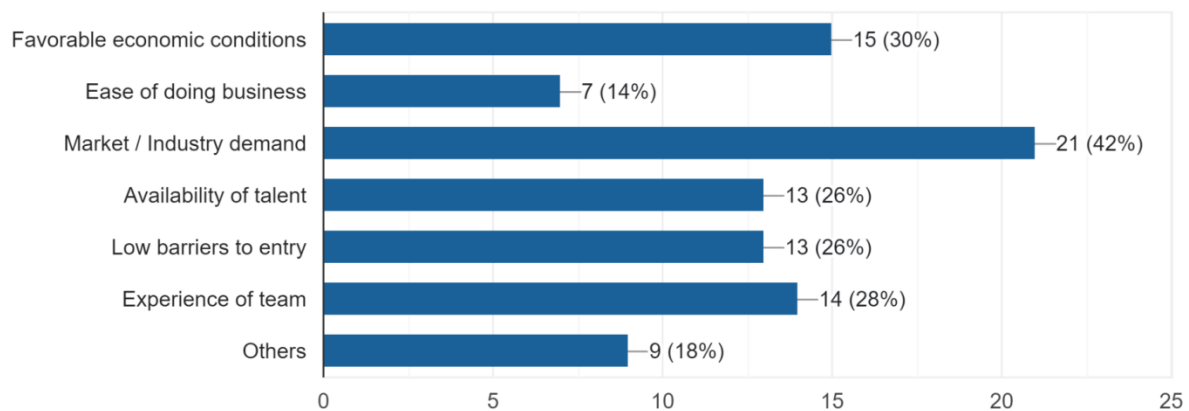
Shows the factors that influenced the respondent's to set up their startup

Factors	Frequency	Percentage
Favourable economic conditions	15	30%
Ease of doing business	7	14%
Market / Industry demand	21	42%
Availability of talent	13	26%
Low barriers to entry	13	26%
Experience of team	14	28%
Others	9	18%
Total	92	100%

(Source: Primary Data)

Figure 4.23 shows the factors that helped the startup owners to set up their startup

23. The factors that influenced the respondent's to set up their startup



Interpretation:

The table above displays the factors that influenced the setting up of startups. 42% chose Market / Industry demand, 30% chose Favourable economic conditions, 28% chose Experience of team. Availability of talent and Low barriers to entry were considered by 26% each. 14% suggested Ease of doing business as an influencing factor.

4.24 PROFESSIONAL SUPPORT ACCESSED BY STARTUP OWNERS

Table 4.24

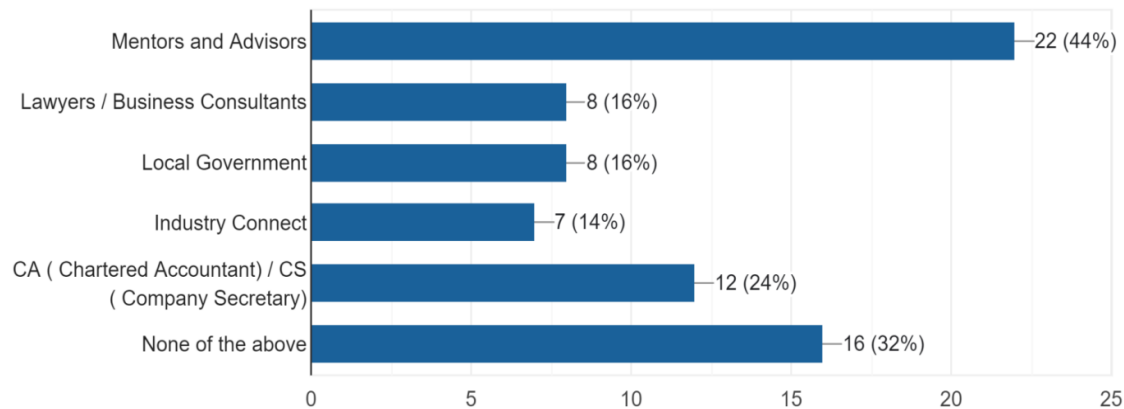
Shows the professional support accessed by the respondent's

Professional supports	Frequency	Percentage
Mentors and Advisors	22	44%
Lawyers/ Business consultants	8	16%
Local Government	8	16%
Industry Connect	7	14%
CA / CS	12	24%
None of the above	16	32%
Total	73	100%

(Source: Primary Data)

Figure 4.24 showing the professional support accessed by the startup owners

24. Professional support accessed by the startup owners



Interpretation:

The above data shows professional support accessed by the startups. Mentors and Advisors contribute to the majority (44%), followed by CA (Chartered Accountant) / CS (Company Secretary) -24%, Lawyers / Business Consultants(16%), Local Government(16%), Industry Connect (14%). The other 32% didn't have any professional support.

4.25 METHODS OF FUNDING USED FOR STARTUPS

Table 4.25

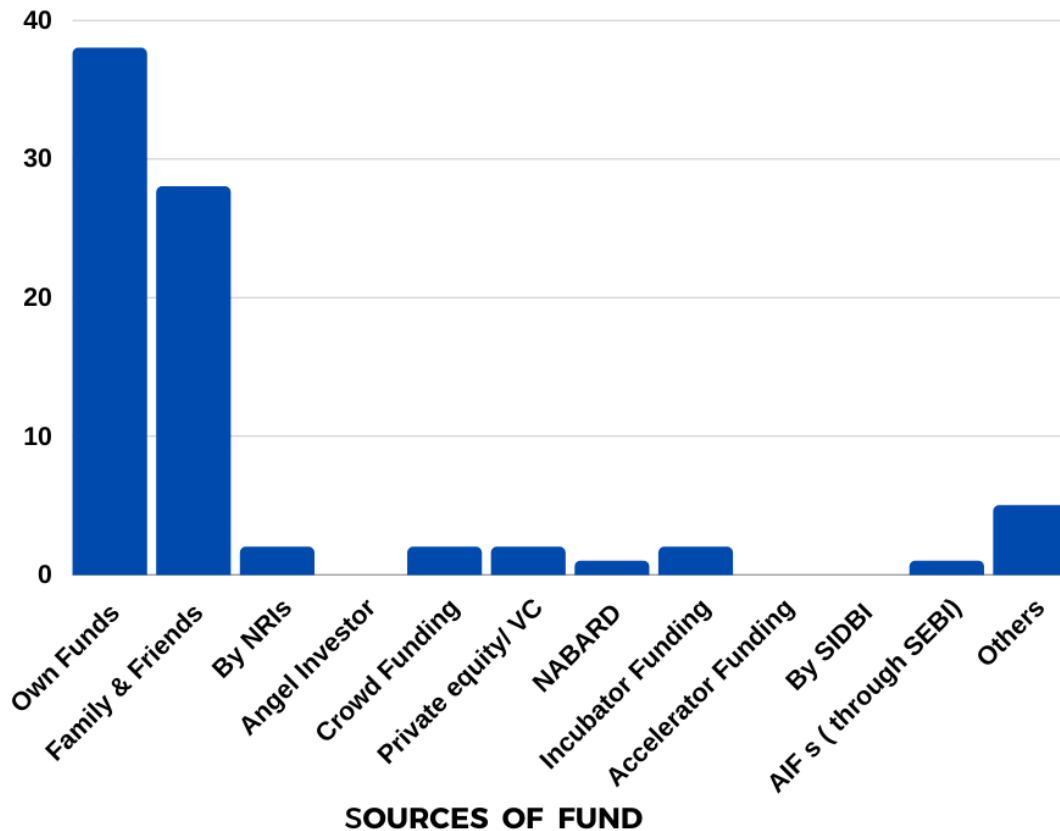
Showing how the startups are funded

Funding methods	Frequency	Percentage
Own Funds	38	47%
Family & Friends	28	35%
Funding by NRIs	2	2%
Angel Investor	0	0%
Crowdfunding	2	2%
Private Equity / VC	2	2%
NABARD	1	1%
Incubator Funding	2	2%
Accelerator Funding	0	0%
Funded by SIDBI	0	0%
AIFs (through SEBI)	1	1%
Others	5	6%
Total	81	100%

(Source: Primary Data)

Figure 4.25 shows the methods of funding used for startups

25. The methods of funding used for startups



Interpretation:

The above table studies the sources of funding for the startups. Majority of the funds consisted of their Own funds (47%), Family & Friends (35%), Funding by NRIs (2%), Crowdfunding (2%), Private Equity / VC (2%), NABARD (1%), Incubator Funding (2%), AIF's (through SEBI)- (1%).

4.26 USEFULNESS OF POLICIES FOR STARTUPS IN INDIA

Table 4.26

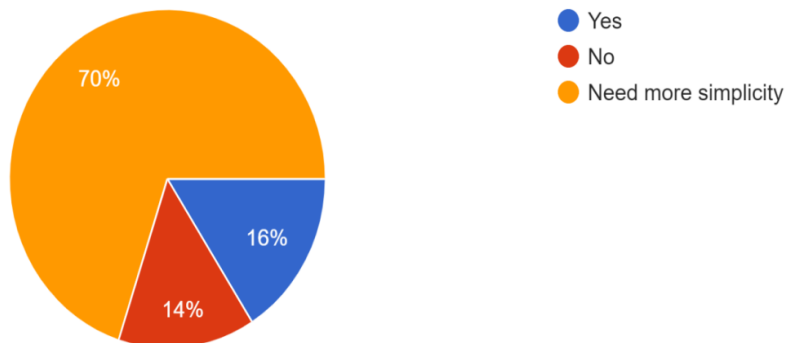
Shows startup owners view on whether policies for startups in India are helpful

Helpful	Frequency	Percentage
Yes	8	16%
No	7	14%
Need more simplicity	35	70%
Total	50	100%

(Source: Primary Data)

Figure 4.26 shows whether the policies in India for startups are helpful

26. Usefulness of policies for startups in India



Interpretation:

The above data studies their response towards policies in India for startups.

A majority of 70% suggested that the policies needed more simplicity,

18% agreed that policies in India for startups are helpful, to which 16% disagreed.

4.27 CHALLENGES FACED BY THE STARTUP OWNERS TO SCALE-UP THEIR BUSINESS

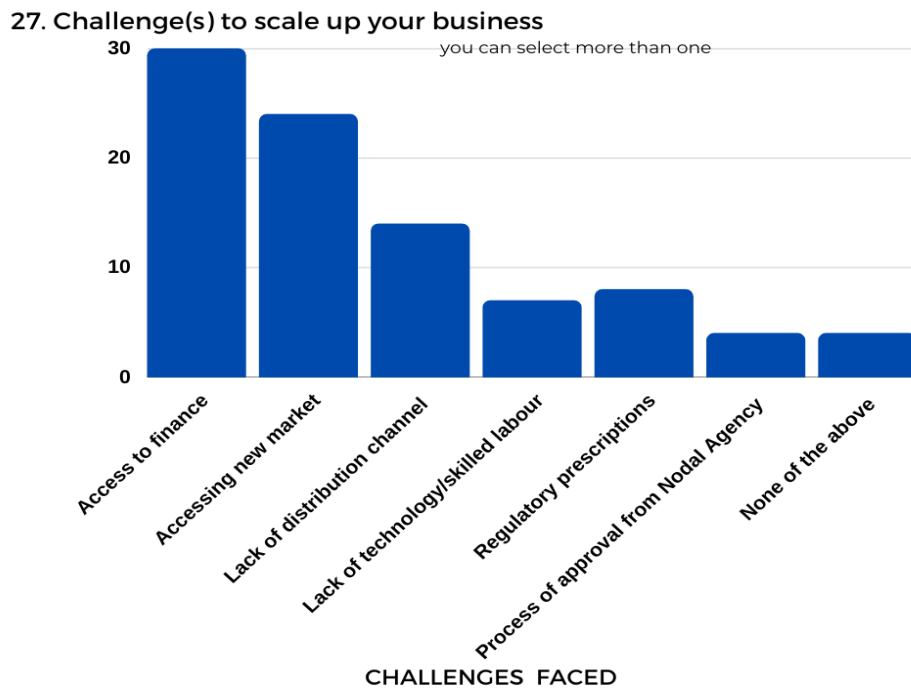
Table 4.27

Shows the challenges faced by the respondent’s to scale up their startup business

Challenges	Frequency	Percentage
Access to finance	30	33%
Accessing new market	24	26%
Lack of distribution channel	14	15%
Lack of technology/Skilled labour	7	8%
Regulatory prescriptions	8	9%
Process of approval from Nodal Agency	4	4%
None of the above	4	4%
Total	91	100%

(Source: Primary Data)

Figure 4.27 shows the challenges faced by the respondent’s to scale up their business



Interpretation:

The above table displays the challenges faced during scaling up the business.

33% faced the challenge of Access to finance, 26% had issues with Accessing new market. Other challenges faced were Lack of distribution channel (15%), Lack of Technology / Skilled labour (8%), Regulatory prescriptions (9%), Process of approval from Nodal Agency (4%).

4% suggested that none of the above listed challenges were faced during scaling up the business.

**4.28 MAIN FACTORS CONTRIBUTING TO THE SUCCESS OF ANY
STARTUP**

Table 4.28

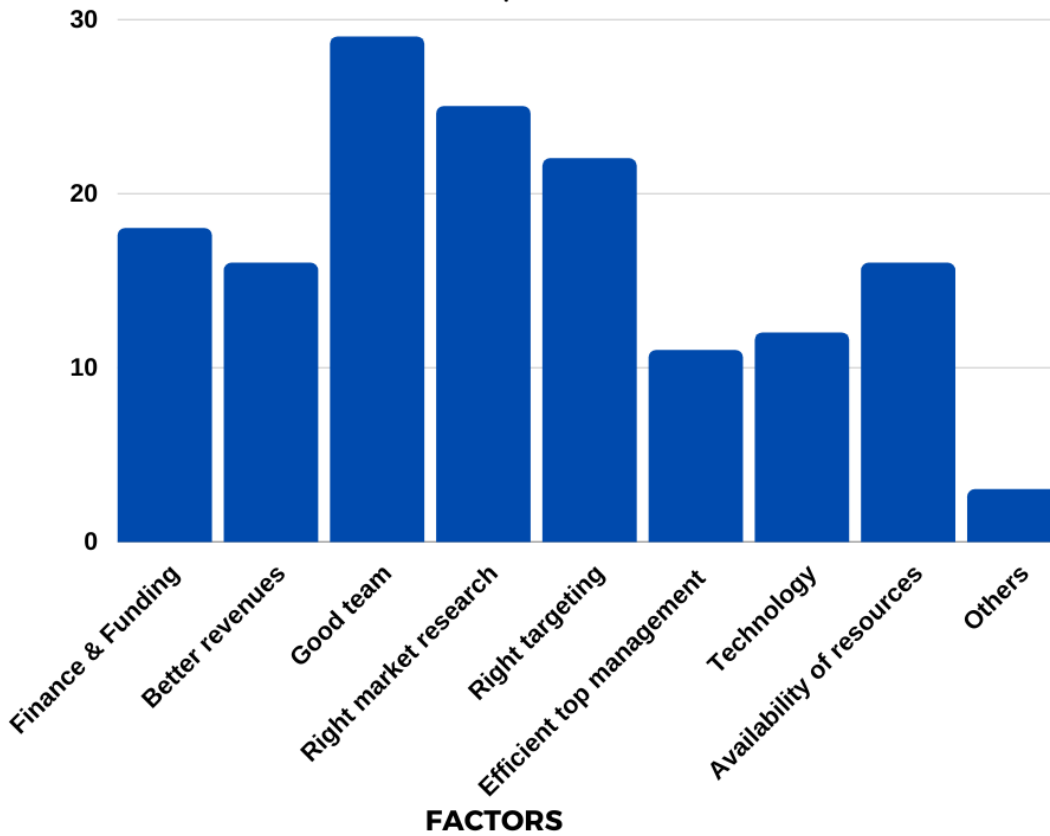
Shows the factors that contributes to the success of a startup

Factors	Number	Percentage
Finance & Funding	18	12%
Better Revenues	16	11%
Good Team	29	19%
Right market research	25	16%
Right targeting	22	14%
Professional & efficient top management	11	7%
Technology	12	8%
Availability of resources	16	11%
Others	3	2%
Total	152	100%

(Source: Primary Data)

Figure 4.28 showing the factors that contribute to the success of a startup

28. The factors that contribute to the success of a startup



Interpretation:

The above data intends to study the main factors contributing to the success of a startup. Out of the total, 19% chose Good Team as a major factor contributing to the success of the startup, 16% chose Right market research, 14% of the respondents considered right targeting, Finance and Funding were chosen by 12% and 11% each chose Availability of resources & Better revenues. The remaining factors were Professional and efficient top management (7%), Technology (8%).

CHAPTER - 5
FINDINGS, SUGGESTIONS & CONCLUSIONS

FINDINGS

- Majority of the respondents that is 50% are males and remaining 48% are females.
- Majority of the respondents that is up to 62% belongs to the age group of 20 to 30. The rest 16% and 14% belong to the age groups of 40 to 50 and 30 to 40 respectively.
- Most of the respondents reside in urban areas. While 22% are from semi urban area and 16% from rural areas.
- The majority of the respondents i.e., 54% were businessmen. Another 24% of the respondents who took part were students. 18% were salaried and the remaining 4% were housewives.
- 58% had fair knowledge about the topic. 12% of the respondents were extremely knowledgeable about the topic whereas 28% had little knowledge. The remaining 2% were only familiar with the term 'Startups'.
- 50% respondents chose profit/money making as inspiration to start their own business. 20% did not want to work for others, 14% wanted to make their own decisions, 12% wanted Control and freedom and the rest 4% chose Social Status as inspiration.
- Majority i.e., 36% owns Partnership firms, 20% owns unregistered, 18% owns Private Ltd. Company, 6% owns Public Ltd. Company, 4% owns Limited Liability Partnership. The remaining 16% comprises others (Sole proprietorship & Self Entrepreneur).
- Most of the startups, 34% are in Growing revenue stage, 30% in the stage of Concept/ideas, 28% in Early revenue stage, 4% are expanding to new markets and another 4% are in the stage of maturity.

- 38% of the respondents claimed to have one founder whereas 26% had two founders, 22% had three founders, 4% had 7 founders, 2% had 6 founders and another 2% had 10 founders.
- Majority of the startups i.e., 62% are less than 5 years of age. 18% are of ages 21-30, 10% are of ages 5-10 and 8% are of ages 31-40 and the rest 2% 11-20.
- B2C makes up the majority of the targeted customers with 44%. B2B with 32% and the rest 24% with B2B2C.
- Majority chose consumer goods as the sector that best describes their startup.
- 64% responded that they did not use financial concessions whereas 36% agreed that they used financial concessions from the government.
- Regarding the capital infused to the respondent's startups, Out of the total, 62% fall under less than 20 lakhs, 10% under 1 Cr- 3 Cr, 14% under 50 lakhs- 1 Cr and other 14% under 21-50 lakhs.
- Out of the 50 responses (100 %) , 26% of the respondents gave an opinion that startups are not really performing well. On the contrary 74 % of the respondents say that startups are performing well. So it is analyzed that startups are really performing well.
- Many startup founders are of the opinion that startups should not be merged/acquired with established companies.
- Most agreed that GST is adversely affecting startups in all aspects.
- It is analyzed that maximum startups are currently concentrated in Technology.
 - Majority believes that both education and experience is essentially required for the success of a startup.

- It is analyzed that Startups are contributing towards Nation's Economy and towards Employment generation.
 - Many respondents are willing to invest and fund startups.
 - A majority of 70% suggested that the policies needed more simplicity, 18% agreed that policies in India for startups are helpful, to which 16% disagreed.
 - As the factors that influenced the setting up of startups, 42% chose Market / Industry demand, and 30% chose Favorable economic conditions, 28% chose Experience of team. Availability of talent and Low barriers to entry were considered by 26% each. 14% suggested Ease of doing business as an influencing factor.
 - The professional support accessed by the startups, Mentors and Advisors contribute to the majority(44%), followed by CA (Chartered Accountant) / CS (Company Secretary) -24%, Lawyers / Business Consultants(16%), Local Government(16%), Industry Connect(14%). The other 32% didn't have any professional support.
 - Majority of the funds consisted of their Own funds(47%), Family & Friends(35%), Funding by NRIs (2%), Crowdfunding(2%), Private Equity / VC (2%), NABARD(1%), Incubator Funding(2%), AIF's (through SEBI)-(1%).
 - 33% faced the challenge of Access to finance, 26% had issues with accessing new markets. Other challenges faced were Lack of distribution channel(15%), Lack of Technology / Skilled labor(8%), Regulatory prescriptions (9%), Process of approval from Nodal Agency(4%). 4% suggested that none of the above listed challenges were faced during scaling up the business .
- Out of the total, 19% chose Good Team as a major factor contributing to the success of the startup, 16% chose Right market research, 14% of the respondents considered right targeting, Finance and Funding were chosen by 12% and 11% each chose Availability of resources & Better revenues. The remaining factors were Professional and efficient top management (7%), Technology (8%).

SUGGESTIONS

Although the Startup India programme and its initiatives are an excellent idea for Indian startups, there are certain loopholes in the scheme and other areas in the implementation mechanism. In addition to this, the start-ups will have to prove that their innovation has significantly improved existing processes in order to be eligible for various schemes and exemptions.

Startups in India face a variety of obstacles, including regulatory obstacles, inadequate infrastructure, and a lack of market knowledge. However, successful startups have demonstrated that proactive strategies, such as conducting in-depth research, establishing strong relationships with stakeholders, utilizing technology, and seeking mentorship and advice from seasoned entrepreneurs, can overcome these obstacles. Indian startups have the potential to achieve significant success and contribute to the economic expansion of the nation thanks to a market that is expanding and a supportive ecosystem.

- If several startups are blooming in one location, the market of that geography rises as well. Since many individuals desire to reside there to work, this dramatically changes the infrastructural facilities of that city.
- As infrastructure upgrades, numerous guesthouses, homestays, food outlets, and transport service unlocks, creates countless job opportunities and increases the city's revenue.
- Many startups in India are operating in remote areas with the aim to support the overall local community including the economy.
- When Indian start-ups maintain the requirement for a requisite product or service, it reduces the import of that foreign product or service. This not only minimizes the cash flow to another nation but increases the flow of capital within the Indian market, which is pivotal to the growth of the Indian economy.

CONCLUSION

India is a developing country with a mixed economy so it is very important to develop the Indian economy for the growth of the nation. Half of the Indian workers rely on Agriculture for their livelihoods. India needs to be self-sustainable in every field such as medical, education, technology..., for these start-ups are very necessary, that's why governments are implementing many schemes for a start-up. The government has introduced many policies that aim to ease the business environment for start-ups.

Studies show that India needs more than 100 million jobs a year and the jobs, start ups may be small companies but they play a major role in giving jobs in India. When more jobs are created more income for people are created that means the much-improved economy is created. When people have money to spend then it is circulated in the Indian market which improves the income of the government. A good entrepreneurship culture is developing in India which gives importance to quality and timely delivery of work which attracts customers toward their product or service. India is a country filled with talented professionals. They have many ideas and potentials, they all like to explore it also but they lack in resources.

India needs more than a 100 million jobs a year and the jobs which are generated are mostly from start-ups and not big enterprises. Start-up entrepreneurship is crucial because it also brings new innovations, new jobs and competitive dynamics into the business environment and enterprises. The role of start-ups in economic prosperity is enhancing in today's world. One of the main advantages of start-ups is that it creates new jobs. Global data shows that start-ups are creating more jobs in our nation than the large companies or enterprises. As of now, many of the start-ups have introduced the latest technology Artificial Intelligence, Robotics etc. Most of the technology giant companies outsource their tasks to start-ups nowadays. It will also help to increase the cash flow of Start-ups. Bearing in mind the significance of responsibility that the Indian start-ups are allocated to play in the enlargement of the Indian economy. The turnover achieved through the start-ups and the vast numbers of jobs that can be created by facilitate start-ups, even the market controller Securities and Exchange Board of India (SEBI), the ease of use of start-up regulation led to facilitate the flow of funds from the market to start-ups.

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- <http://startupindia.gov.in/>

ANNEXURE

Questionnaire

1. Gender

- Male
- Female
- Other

2. Age

- Below 20
- 20 - 30
- 30 - 40
- 40 - 50
- Above 50

3. Place of residence

- Urban
- Semi - urban
- Rural

4. Occupation

- Businessman
- Pensioner
- Student
- Housewife
- Salaried
- Others

5. How familiar are you with the concept of start-ups?

- Know extremely well
- Fairly well
- Little
- Just name
- Never heard of it

6. What inspired you to start your own business?

- Profit / Money making
- Did not want to work for others
- Want for control and freedom
- To make my own decisions
- Social status

7. Type of start-up (you own)

- Private Ltd. Company
- Public Ltd. Company
- Partnership Firm
- Limited Liability Partnership
- Unregistered
- Other:

8. Which stage is your start up currently at?

- Idea / Concept
- Beta / Prototype
- Early revenue
- Growing Revenue
- Maturity
- Expanding to new markets

9. Total number of Founder(s) in your Start-up

10. Age of the Start-Up? (In years)

11. Background of Founders

- Professional
- Business Owner
- Student
- Other

12. Type of customer targeted by your Start-up?

- B2B
- B2C
- B2B2C
- B2G

**13. Sector that best describes your Start-up
(You can select more than one option)**

- AGRICULTURE
- SOCIAL COMMERCE
- CONSUMER GOODS
- DATA AND ANALYTICS
- EDUCATION
- MEDIA AND ENTERTAINMENT
- FINANCIAL SERVICE
- ENERGY / RENEWABLE ENERGY
- TRANSPORT & LOGISTICS
- SPORTS AND RECREATION
- HEALTH
- ENTERPRISE & CORPORATE
- SOCIAL ENTERPRISE
- FOOD
- WATER SUPPLY
- MANUFACTURING
- PRODUCT DEVELOPMENT

- HARDWARE DEVELOPMENT
- BIOTECHNOLOGY
- MACHINE LEARNING
- IT CONSULTING / SOLUTION
- SOFTWARE DEVELOPMENT
- TRAVEL & TOURISM
- OTHERS

14. In case the start-up expected some financial concession from the government, did it materialize?

- Yes
- No

15. Capital infused to your start up so far (in rupees)

- Less than 20 lakhs
- 21 - 50 Lakhs
- 50 Lakhs - 1 Cr
- 1 Cr - 3 Cr
- 3 Cr - 10 Cr
- Above 10 Cr

16. Do you think start-ups are really performing well?

- Yes
- No

17. Generally start-ups are either merged or acquired with established companies. Do you think it's necessary?

- Yes
- No

18. GST is adversely affecting start-ups in all aspects.

- Agree
- Disagree
- Neutral

19. According to you in which sectors are start-ups mainly concentrated / have * vast scope

- TECHNOLOGY
- TRAVEL & TOURISM
- AGRICULTURE
- AGRITECH
- FINANCE
- E-COMMERCE
- HEALTHCARE AND MEDICINES
- MANUFACTURING
- ENTERTAINMENT
- EDUCATION
- FOOD AND BEVERAGES
- SPORTS
- OTHERS

20. Education or experience which do you think really matters for the success of a start-up.

- Education
- Experience
- Both

21. Do you think start up's really contributes towards economy and employment?

- Yes
- No

22. If you are an investor would you like to fund a startup

- YES
- NO

23. Which of the following helped you to set up the Start-up (you can select more than one)

- Favourable economic conditions
- Ease of doing business
- Market / Industry demand
- Availability of talent
- Low barriers to entry
- Experience of team
- Others

24. Professional support accessed by your Start-up

- Mentions and advisors
- Lawyer/Business Consultants
- Local Government
- Industry Connect
- CA (Chartered Accountant) /CS (Company Secretary)
- None of the above

25. How your start up is funded (you can select more than one)

- Own funds
- Family & Friends
- Funding by NRI's
- Angel Investor
- Crowd Funding
- Private Equity/VC
- NABARD
- Incubator Funding
- Accelerator Funding
- Funded by SIDBI
- AIF's (through SEBI)
- Others

26. Do you think policies in India for Start-ups are helpful?

- Yes
- No
- Need more simplicity

27. Challenge(s) to scale up your business (you can select more than one)

- Access to finance
- Accessing new market
- Lack of distribution channel
- Lack of Technology / Skilled labour / Talent
- Regulatory prescriptions
- Process of approval from Nodal Agency
- None of the above

28. What do you think are the main factors contributing to the success of any Start-up?

- Finance and Funding
- Better revenues
- Good Team
- Right market research
- Right targeting
- Professional and efficient top management
- Technology
- Availability of resources
- Others