AN ANALYSIS OF ECOSYSTEM FOR START-UPS :A STUDY WITH REFERENCE TO KALYAN-KARNATAKA

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1.1. INTRODUCTION

A startup is the most general term in the present era. It has a significant impact on the economy of the country. People who have innovative ideas are starting their startups with minimum resources. Skills are the only way to healthy our economy while creating a new business setup Entrepreneurs. This help can be further divided into three categories Technical help, financial help, and Managerial help. Institutions like MPFC, SIDBI, and MSME help startups; some private supports are Angel Investors and Venture Capitalists. In India, on 6th January 2015, Hon'ble Prime Minister Shri Narendra Modi has enthusiastically announced: "Standup India-Startup India" under this scheme Government of India wishes to arouse Entrepreneurs to become Startup and help existing startups. The implementation part of this scheme is taken care of by the Department of Industrial Planning and Promotion (DIPP). According to DIPP, the definition of Startup would be Innovative and carry technology along with website, mobile application, etc. The objective of this scheme is to implement the action plan based on three essential pillars to enable funding support, make the process easy, and develop Academic-Industry Partnership like Incubation. Startup India Hub supports the Startup in terms of Managerial and Financial whereas the Incubation center provides Technological and Managerial supports. A corpus fund of Rs.10000 crore has been created for financial support. Tax exemption on capital gains is waived till three years of setup. The eligibility criteria for Startup would be five years of incorporation, financial turnover should not exceed Rs.25crore, and It should be driven by Technology or Intellectual property toward Innovation for the commercialization of new products, services.
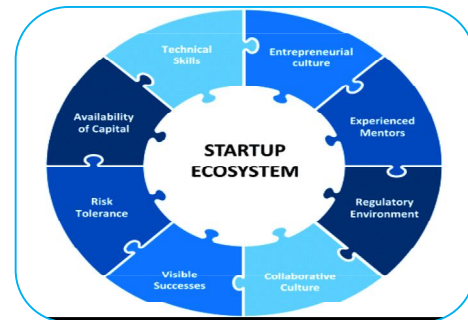
STARTUPS IN KARNATAKA

As per the Global Startup Ecosystem Ranking Report 2015, "Bangalore is home to approximately 3,100 to 4,900 active tech startups and has achieved the second-highest growth rate for exit volume and V.C. investment among the top 20. As a result, Bangalore moved up four to number 15 in 2015, advancing from number 19 in the 2012 ranking". As per this report, Bangalore is the only Indian city to be ranked within the best twenty startup ecosystems across the world. The state's long and sustained leadership in driving the I.T. economy and conductive R&D ecosystems have contributed to this. The existing policy framework of the Government of Karnataka, mainly the 'i4' (I.T., ITES, Innovations, and Incentives Policy 2014-2019) ESDM, AVGC policies, and the Industries Policy 14-19,

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recognized the importance of promoting startups and the need to give the necessary impetus to tech entrepreneurship early in the day and has invested on building incubation spaces in partnership with industry bodies; encouraging Innovation in educational institutions through its new-age incubation network; providing seed capital and other incentives.

1.2. REVIEW OF LITERATURE

Review of Literatures includes Research Articles, Books and Ph.D. summarized the thesis about the various aspects of the study as below,

R.A. Sharma   (1980)[1] the author deals with evaluated Performance of 316 joint-stock companies incorporated after April 1947. In the familiar spheres, entrepreneurship was dispersed among various communities, and in other spheres, it had thinly spread among socially well-known communities. Analyzing the factors affecting entrepreneurship, he found that a strong desire to do something independent in life; technical knowledge and manufacturing experience, financial assistance from institutional sources, business experience in the same or related lines, and accommodation in industrial estates have induced the new and small entrepreneurial class. He concludes that financial and developmental institutions have made a significant contribution to the growth of contemporary entrepreneurship.

Kuratko DF & Rao TV (2013)[2] the author stated that the three main members in the ecosystem that are indispensable for it is success are entrepreneurs, private investors & advisors. An entrepreneur is an innovator or developer who recognizes and seizes the opportunities; convert those opportunities into workable/marketable ideas; add value through time, effort money or skills; assume the risk of the competitive marketplace to implement these ideas; and realize the rewards from these efforts.

Aleisa, (2013)[3] the author opined that government regulations are in terms of taxation, support, funding, incentives, education and training. Thus, the presence of entrepreneurs, funding, investors and all the major stakeholders make an ecosystem for start-ups. If an ecosystem is to become effective, it is crucial for the government to address these needs adequately to promote such an ecosystem. Startup ecosystems have the ability to innovate, build exceptional companies, create jobs and open businesses. Entrepreneurial success is dependent on three contributing factors. They include economy, geography and sociology.

Jung-yul Kim, and Young-Hee Cho (2013)[4] the author claims that brunt of colonial rule introduced a socialistic pattern of governance in India, and the Indian government opted for a planned economy balancing social and industrial development. The regulations became tighter and sometimes onerous for private enterprises, which led to decelerated growth, inefficiencies, and corruption.

Gulati Kapil & Sharma Suniel (2013)[5] believed that India can be an entrepreneurial nation because of freedom of speech, high caliber, given capital, the function of capital market and easy availability of venture capitalist, the rebels' young generation, easy entry of global competitor in India, lack of legacy technologies, unique market structure with consumers need and their purchasing power. Excellent institutional infrastructure and dedication towards entrepreneurship, science, and technical education are majorly indicating the Innovation.

1.3. STATEMENT OF PROBLEM

It has been observed from the review of literature that recognizing the importance of innovation and technology up-gradation through startups in the economic development of the country; recently, the government has come up with various revolutionary measures to create a conductive ecosystem for startups in India. Along with union governments, various state governments have also made state-level policies to support the startups in their respective states. The State of Karnataka was one of the first states which had its startup policy before the launch of Startup India. Apart from the government, many other institutions and ecosystem enablers in a startup ecosystem support single units: incubators, accelerators, and educational institutions, research institutions, investors, mentors, NGOs etc.

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1.4. NEED OF THE PRESENT STUDY

Startups have a vital role in India's future by creating innovative solutions to the country's challenging issues and generating large-scale job opportunities for the upcoming workforce. The government has recognized the importance of startups in the economic development of the state and the country. Therefore they have come with various revolutionary measures to create a conductive ecosystem for startups. The State of Karnataka has also taken many policy measures that included the setting up of startup cells. The present research made an effort to study this factor. Kalayan Karnataka was termed one of the backward regions in Karnataka State but rich in resources to startup of new ventures. Governments have been providing financial and non-financial assistance for the development of entrepreneurs in this backward region to uplift the socio-economic status of the people.

1.5. OBJECTIVES OF THE STUDY

a. To study and understand the theoretical aspects of the startup ecosystem.
b. To study the performance appraisal of startups for the past five years in the Kalyan Karnataka region.
c. To study the schemes provided by central and state governments for Startups in the Kalyan Karnataka region.

1.6. HYPOTHESES

Hypothesis 1:
Null Hypothesis $H_0$1: There is no significant relationship between government schemes and the Performance of startups.
Alternative Hypothesis H_a1: There is a significant relationship between government schemes and the Performance of startups.
Null Hypothesis $H_0$2: There is no significant relationship between the type of schemes used and the success of a startup.
Alternative Hypothesis H_a2: There is a significant relationship between the type of schemes used and the success of a startup.

1.7. RESEARCH METHODOLOGY

The methodology for the study is empirical.

Sources of Data

The present study includes both primary and secondary data.

i. Primary Data

The primary data has been collected by administering a well-structured questionnaire to the startups of the Kalayan Karnataka Region; questionnaires were administered through e-mail, mail, and personal interview.

ii. Secondary Data

The primary data must be established and validated. Many secondary data sources also relied on them. Relevant published various journals, articles, and government reports from multiple agencies associated with the startup ecosystem.

iii. The Design:

The study is carried out with random sampling. Extensive research is done on the variables before considering them for the study. The study is from the startup's perspective, so took the opinion of eminent critical persons from various startups before taking variables in the study.

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iv.   Population

The population for the study was the startups in the Kalayan-Karnataka region of Karnataka state, as per the definition under the policy of ecosystem and startups in Karnataka and India.

- **v.   Sample Size:** The overall sample size for the study was 32 startups across the K.K. Region.
- **vi.   Sample Element:** Individual Startup was used as the sampling element of the study.
- **vii.   Sampling Technique:** Non-Probability, convenient method of sampling technique was used.
- **viii.   Tools Used for Data Analysis:** Data was collected using a self-administered questionnaire as the research instrument by sample survey method. The startups were selected from all three categories, Product, Service, and Mixed, and established internal consistency of measures through the item to total correlation. They computed the reliability of all three steps by using SPSS software. Face validity of all three variables was ensured while selecting the statements (elements) for the measures, and established content validity through Chi-Square, Correlation and Regression Analysis.

1.8. SCOPE OF THE STUDY

This research primarily focuses on assessing the underlying factors on which either success or failure of a startup depends. In this era where unemployment is one of the most significant issues, only entrepreneurship is one of the most prominent promoting economic prosperity. It discusses the connection between an entrepreneur and his startup and the importance of a startup ecosystem for an economy's development and progress.

1.9. LIMITATIONS OF THE STUDY

The present study has some limitations as outlined below:
1. The study was confined only to Kalayan Karnataka Region, and data may not hold good for any other area or location.
2. The study was restricted to only significant problems encountered by the Startups.
3. The study was limited to only a sample size of 32 startups running a business in the Kalayan-Karnataka Region.

1.10. Data Analysis

Table-1 Funded by startups

Funded by startups	Frequency	Percent
Own funds	7	21.9
Seed Fund	11	34.4
Angel investor	3	9.4
Crowd funding	3	9.4
Funded by SIDBI	2	6.3
NABARD	1	3.1
Other	5	15.5
Total	32	100.0

Source: Field survey

The above table explains the funded by the startups. 21.9 percent of the respondents revealed that own funds, 34.4 percent seed fund, 9.4 percent opined that angel investors, 9.4 percent revealed that crowd funding, 6.3 percent funded by SIDBI and 15.5 percent funded by NABARD. It was concluded that startups funded by seed funds.

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Table-2 Government scheme supported by startup

Government scheme	Frequency	Percent
Mudra Yojna	11	34.4
National Equity Fund Scheme (NEFS)	5	15.6
Seed Fund	12	37.5
Credit Guarantee Fund Trust Scheme (CGFTS)	4	12.5
Total	32	100.0

Source: Field survey

The above table explains the government scheme supported by the startups. 34.4 percent of the respondents revealed that mudra yojana scheme supported by startups, 15.6 percent of the respondents opined that national equity fund scheme supported by startups, majority 37.5 percent opined seed fund, further credit guarantee fund trust scheme supported by startups. It was concluded that seed fund scheme was supported by the highest number of startups.

Table-3 Financial concession from Government

Financial concession	Frequency	Percent
Yes	21	65.6
No	11	34.4
Total	32	100.0

Source: Field survey

The above table explains the financial concession given by the government, 65.4 percent of the respondents opined that yes, majority 34.6 percent revealed that no. it was concluded that the startups get financial concession from the government.

Table-4 Annual turnovers of startups

Annual turnover	Frequency	Percent
Less than 5 lakhs	8	25.0
5-10 lakhs	10	31.2
10-25 lakhs	8	25.0
25-50 lakhs	3	9.4
50 lakhs-1 crore	3	9.4
Total	32	100.0

Source: Field survey

The above table explains the annual turnover of the startups. 25 percent of the respondents revealed that less than 5 lakhs, 31.2 percent revealed that 5 to 10 lakh, 25 percent of the respondents opined 10 to 25 lakh, 9.4 percent 25 to 50 lakh and 9.4 percent opined that 50 lakh to 1 crore. It was stated that most of the startups had annual turnover of 5 to 10 lakhs.

H0: There is no significant relationship between the type of schemes used and the success of a startup.

Null Hypothesis $H_0 1$: There is no significant relationship between government schemes and the Performance of startups.

Alternative Hypothesis $H_a 1$: There is a significant relationship between government schemes and the Performance of startups.

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Table – 5

Correlations		Government scheme supported by startup	Startup started generating revenue
Government scheme supported by startup	Pearson Correlation	1	-.160
	Sig. (2-tailed)		.383
	N	32	32
Startup started generating revenue	Pearson Correlation	-.160	1
	Sig. (2-tailed)	.383	
	N	32	32

Source: Field survey

From the Pearson's correlation coefficient analysis it can be observed that there is no significance between Govt. schemes supported by startups and Startup started generating revenue and annual turnover of startups at 5 percent level of significance $p=0.383 (p<0.05)$. The Pearson correlation coefficient is -.160 which shows that there is a low moderate negative correlation between the factors.

The hypothesis "H_0 There is no significant relationship between type of Govt. schemes obtained by startups and the success of a startup" is accepted. This means that schemes supported by the startups are negatively correlated to the revenue generating and annual turnover of the startups.

H_0 – There is no significant relationship between type of Govt. schemes obtained by startups and level of satisfaction towards government schemes and support.

Null Hypothesis H_02: There is no significant relationship between the type of schemes used and the success of a startup.

Alternative Hypothesis H_a2: There is a significant relationship between the type of schemes used and the success of a startup.

Table- 6

Test Statistics		
	Government scheme supported by startup	Satisfied with the government schemes and support
Chi-Square	6.250[a]	4.500[b]
df	3	1
Asymp. Sig.	.100	.034
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 8.0.		
b. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 16.0.		

From the chi-squire analysis it can be observed that there is a significance between Govt. schemes obtained by startups and satisfaction for Govt. schemes and support for the startups at 5 percent level of significance $p=0.034 (p<0.05)$. The chi-squire value is 6.250[a], and 4.500[b] the calculated values are less than critical value 7.815. Which shows that the model fit between the factors is good.

The hypothesis "H_0 There is no significant relationship between type of Govt. schemes obtained by startups and level of satisfaction towards government schemes and support" is rejected. This means that schemes obtained by the startups are significantly associated with the support and schemes offered by the government.

The study shows that the startups are satisfied with the schemes offered and level of satisfaction towards government schemes. Due to the fact that subsidies and concessions and financial

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support obtained from various government schemes significantly affect the satisfaction level of startups.

1.11. MAJOR FINDINGS OF THE STUDY

1. Over 43.7 percent of the participating startups were between 1-3 years old and 37.5 percent of the participating startups were between 3-5 years old whereas least 18.8 percent of startup was found less than one year old.
2. Majority of the respondents concluded that under investors programs they have started their startups.
3. Seed fund emerged as the largest source of funding (around 34.4 percent), apart from own funds,
4. About 9.4percent each of the startups funded by angel investors and crowd funding.
5. Majority 37.5 percent opined seed fund, further credit guarantee fund trust scheme utilized by startups. It was concluded that seed fund scheme was most used and preferred government scheme for startups.
6. Most of the startups had an average annual turnover of Rs.5 to 10lakhs in the study samples.

1.12. SUGGESTIONS

1. Focus on exploring more local money and late growth stage investors should be more willing to take risks to create more opportunities for startups in the long-run business development.
2. Establish a Growth Entrepreneurship Partnership together with other neighbors; cooperate with strong private sectors with purpose of boosting up the ecosystem in the whole KK region.
3. Scaling is key to a Startup's success and management must carry out an honest assessment of their business and prepare a realistic strategy in order to achieve scale.
4. There is potential within the ecosystem for a greater number of Startups and to ensure the opportunity is not missed, potential founders from outside the current pool of entrepreneurs should be encouraged to start their own business. Potential sources of new entrepreneurs like Event organizers, Startup Spaces, Public Sector and the Media should consider broadening their communication reach and facilitating the involvement of these potential entrepreneurs in the Startup Ecosystem in the KK region.

1.13. CONCLUSION

Research will help new startup understand certain important aspects of the startup ecosystem Participants reported market/industry demand and team experience as the most important factors for setting up the startups. The survey revealed that startups were able to augment employment generation as they grew. Online marketing, software development, IT consulting/solution and agriculture were major startup sectors in the country.

"Regardless of the terminology, the more there are entrepreneurship and innovation, the more there are startups. And the more there are startups, the more there are great companies, scale-ups and positive development in the economy and society at large. And that's why developing a healthy startup ecosystem is a holistic exercise."Startup ecosystems need to be populated and driven by the users rather than the organizations. The high numbers of labs, innovation camp, funds and investments, networking events and community or networks are likely contributing to the knowledge of startup ecosystems.

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