

Socio-Economic Societal Reform In Business: Start-Up Vs Established Companies

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Abstract

The passive revolution witnessed in the Indian community over the past few decades has been transformative, particularly in the realm of small businesses embracing digitization and venturing into niche sectors previously dominated by conglomerates. This shift is exemplified by the emergence of start-up founders who identify specific pain points within the supply chain, technology, and other domains, and courageously embark on entrepreneurial journeys to address them.

An exemplary case is Shaadi.com, founded by Anupam Mittal, which revolutionized the process of finding a life partner within the Indian community. Recognizing the challenges individuals faced in traditional matchmaking processes, Mittal created an online platform that streamlined the search for compatible companions for marriage. This innovation not only disrupted conventional matrimonial practices but also empowered millions of users with a convenient and efficient solution tailored to their cultural context.

This narrative echoes the paradigm shift observed in the West, where platforms like Tinder and Bumble transformed the landscape of dating by transitioning from physical interactions to digital platforms. Similarly, Indian entrepreneurs have seized upon this opportunity to cater to the unique needs of their community, thereby fostering inclusivity and relevance within the rapidly evolving digital ecosystem.

Shaadi.com's remarkable success, boasting 35 million users, underscores the immense potential and market demand for solutions tailored to specific cultural nuances and preferences. It exemplifies the power of indigenous entrepreneurship to not only adapt global trends but also innovate and localize them to resonate with local audiences.

As India continues to embrace digitalization and entrepreneurial fervor, we can anticipate further disruptions across various sectors, driven by visionary founders who identify and address unmet needs within their communities.

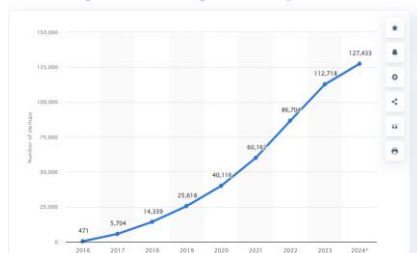
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I. Introduction

In the last ten years, India has seen an unparalleled boom in the formation and investment of startups, cementing its place as a key worldwide hub for innovation and business, with the number of tech companies in India now reaching 170,000¹. A huge shift has also occurred in the financial scene, with investment firms, angel investors, venture capitalists, and private equity firms expressing a high level of confidence in Indian businesses. The government's Start-Up India scheme has definitely fuelled the spirit of Indians and currently, according to the Department for Industrial Policy and Promotion (DPIIT), there are over 90K recognized startups in India. To cater to the entrepreneur's need for capital during the preliminary stages of growth of their enterprises, the government has brought forward Startup India Seed Fund Scheme (SISFS). This is quite a support for beginners as it is difficult to attract the attention of angel investors in the early phase. Even the various banks offer loans only to asset-backed entrepreneurs. SISFS offers financial assistance to enterprises for proof of concept, development of prototypes, product trials, market-entry, and commercialization.

Number of government recognized startups from 2016 to 2024



Established Companies v/s Startups

A traditional business generally has an established solution to a known problem and has not developed anything particularly new. For example, a new sushi restaurant in your neighborhood may be a new business, but it is by no means a startup. However, if a new local company had developed a device that automated sushi-making and tried to get sushi restaurants to try it, that would be a startup. The restaurant is simply trying to satisfy the neighborhood's needs for sushi, whereas the device company is trying to change all sushi restaurants with its new method.

A startup is based on an innovation that has never been commercialized before. This could include a product or service, technology, a process, a brand, or even a new company strategy. Think Uber², an inventive startup that originally operated in San Francisco. It built off the time-tested taxi model – a business – and created a unique ride-sharing app that had never existed previously.

II. Role Of Start-Ups In The Growth Of The Economy In India:

A start-up technically is any enterprise that is working on the growth, commercialization, and the creation of brand-new products, services, or mechanisms that are driven by intellectual property or new tech. Over the last two decades, the Indian startup ecosystem has grown rapidly, and more support has become available in all dimensions. Startups do not exist in a vacuum but are part of a broader business environment that is focused on generating impactful solutions, thereby acting as vehicles for socioeconomic development and transformation. Since start-ups are centers of novel innovations, they generate jobs, which implies more career opportunities; more employment leads to a stronger economy, and a healthier economy has a direct bearing on the growth of cities where startups locate. For instance, consider how Infosys metamorphosed the city of Bangalore.³

Let us examine the role of startups in the growth of the Indian economy:

Finance Point of View

Since PM Modi launched the Startup India initiative in 2015, the number of new Micro, Small, and Medium Enterprises (MSMEs) has surged dramatically. The administration announced intentions to increase bank financing for startups and new businesses. It has fostered startups, which has resulted in greater job creation and contributed to the nation's socio economic prosperity.

MSME plays a vital role in the Indian economy, accounting for around 30% of total GDP. This sector also provides numerous work chances for Indians, thus the government implements new plans to strengthen it.

a. Startup India⁴ is the Indian government's initiative offering instant loans for the growth and expansion of India.

Startup India promotes Startups, wealth creation and employment generation. The Startup India scheme helps grow business loans at attractive interest rates.

b. Stand-Up India scheme⁵ offers funds to people under the SC/ST category and women entrepreneurs of the society. The government of India initiated the Stand-up India scheme providing credit services, mainly to SC/ST people. Stand-Up India intends to assist banks in providing loans ranging from Rs 10 lakh to Rs 1 crore to at least one SC/ST applicant and one female entrepreneur every bank, allowing these individuals to begin their entrepreneurial path.

c. Mudra Yojna⁶ provides loans of up to Rs 10 lakh without requiring collateral at low interest rates. The repayment period is up to five years, with a modest processing fee. In this lending plan, there is no minimum loan amount to borrow, and interest rates vary by bank.

d. CGTMSE, which stands for Credit Guarantee Funds Trust for Micro and Small Enterprises, is the government's plan for providing loans to MSMEs by banks or NBFCs. Under this loan scheme, first-time entrepreneurs and startup enterprises are majorly benefitted. The loan offered under the CGTMSE scheme is free from any collateral.

² Blystone, Dan. "The Story of Uber." *Investopedia*, 31 Mar. 2019

³ Saraogi, Varsha. "How the Tech City of Bangalore Became the Silicon Valley of India." *Elite Business Magazine*, 22 Sep. 2022

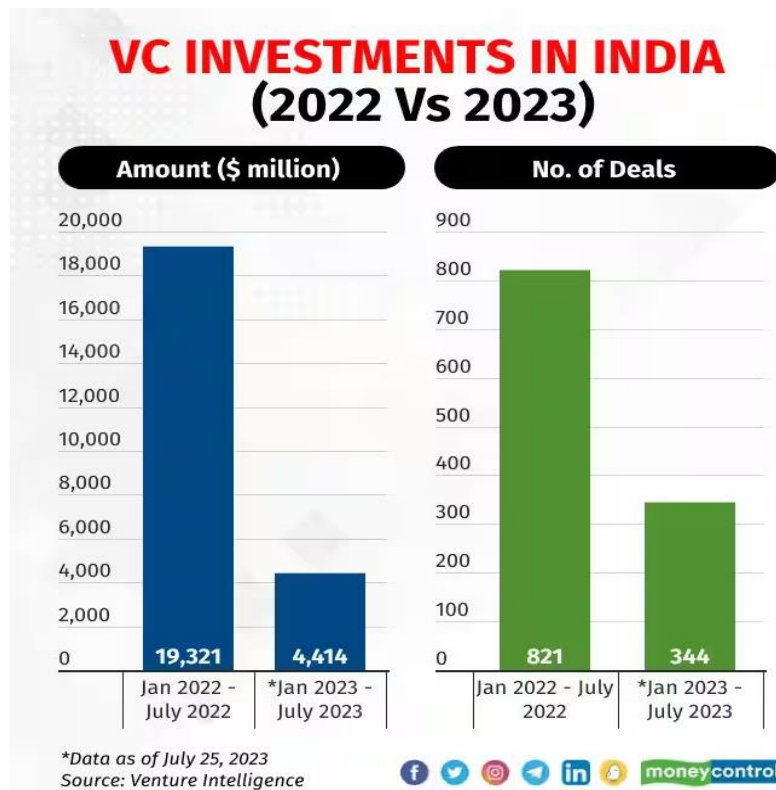
⁴ "Startup India." *Alt*, www.startupindia.gov.in/

⁵ *Stand - up India: Standup India Scheme Features*

⁶ *Mudra - Micro Units Development & Refinance Agency Ltd.*

Established business houses investing in Start-ups

A wave of Indian family offices are lined up to invest in domestic startups, demonstrating the growing appeal of new start-ups as a viable alternative to traditional asset classes like stock and real estate. India's leading corporate houses are looking to diversify and enhance their exposure to sectors like technology and consumer internet, which have produced a number of billion-dollar enterprises in just a few years. While family offices have existed in India for approximately three decades, it is only recently that PremjiInvest, the personal investment arm of Wipro Chairman Azim Premji, and Catamaran Ventures, the family office of Infosys founder NR Narayana Murthy, have begun to support Indian startups.



The Shifting Mindset

The enthusiasm and creativity of India’s college students has transformed the country’s business landscape with a great deal over the last few years. A thriving entrepreneurial culture has replaced the traditional mindset that once favored stable, salaried employment in established companies. Today, young students are choosing the path of entrepreneurship built upon access to technology, a conducive ecosystem and an increasing acceptance of risk taking.

Traditionally, Indian society has placed a high value on job security and stability. A stable government job or a position in a renowned multinational corporation was often considered the ultimate career goal. However, this mindset has evolved as the younger generation challenges conventional norms and seeks alternative paths to success.

One of the key drivers of this shift is the exposure to success stories of Indian entrepreneurs who have made it big in the global arena. Entrepreneurs like Ratan Tata, Mukesh Ambani, and N. R. Narayana Murthy have become household names, inspiring young minds with their journeys from humble beginnings to immense success. These stories showcase the potential for innovation and growth within the Indian context.⁷

Failure has always been criticized in Indian culture and viewed as a setback in one’s career. The start-up culture, however, eliminates this notion by promoting a more accepting attitude toward failure. Entrepreneurs are praised for their willingness to take chances, their ability to learn from their mistakes and their tenacity in the face of difficulty. This mentality change is essential for encouraging entrepreneurship in college students. It enables individuals to view failure as an opportunity for growth rather than a setback, allowing them to recover more strongly and with greater tenacity in their entrepreneurial activities.

⁷ “Top 10 Indian Entrepreneurs Success Story in 2024.” *Academy Of Digital Marketing*, 27 Nov. 2023

Nurturing the entrepreneurial mindset within the education system

The introduction of various new tools akin to experiential learning in schools, colleges, and universities has opened new avenues that allow students to learn and unlearn differently. Unlike conventional means of education that primarily focuses on students' memorizing a subject and subsequently forgetting the learned matter after the exams, modern-day education techniques are progressively adapting to assist students to understand concepts and real-life situations better and more efficiently through interactive learning, experiential learning, and a more frequent engagement with industry professionals related to the subjects being taught.

Entrepreneurship or entrepreneurial skills are gradually finding their way to the curriculum across the country, offering an opportunity for students to have a better understanding of what it takes besides the pledging of time, hard work, and commitment to building a business germinated from an idea. Entrepreneurship is the process by which geniuses turn ideas into reality. Institutions are introducing this subject in a more creatively engaging and gratifying environment that is combined with high-quality tutoring material. Such learning with industry-academic relations is the key to embedding thoughts and ideas that could churn out the next unicorn⁸. Teaching such skills in the later school years too would be advantageous to the future of our economy, but it necessitates extensive curriculum planning that balances theory with real-life experiences.

III. Conclusion

In conclusion, it's evident that the socio-economic transformation in India is not just a fleeting trend but a fundamental shift towards a more dynamic and inclusive economy. The impact of startups extends beyond job creation and economic growth; it permeates into societal norms, cultural attitudes, and educational paradigms.

Firstly, startups serve as catalysts for social change by addressing long-standing issues and unmet needs within communities. Whether it's revolutionizing traditional industries like matchmaking or introducing innovative solutions to everyday challenges, startups have the potential to reshape societal behaviors and perceptions. This can lead to greater empowerment, particularly for marginalized groups, and foster a more equitable society.

Moreover, the changing mindset towards entrepreneurship represents a paradigm shift in how success is defined and pursued. By celebrating risk-taking, resilience, and learning from failure, the startup culture cultivates a spirit of innovation and ambition among the youth. This shift is crucial for fostering a culture of creativity and problem-solving, essential traits for navigating the complexities of the modern world.

In addition, the integration of entrepreneurial education into the academic curriculum underscores a commitment to preparing future generations for the challenges and opportunities of the digital age. By providing students with hands-on experiences, exposure to industry professionals, and a supportive ecosystem for experimentation, educational institutions play a vital role in nurturing the next generation of innovators and leaders.

Overall, the rise of startups in India signals a broader shift towards a more entrepreneurial, inclusive and forward-thinking society. As these ventures continue to thrive and evolve, they will undoubtedly shape the trajectory of India's economic and social development in the years to come, positioning the nation as a global leader in innovation and entrepreneurship.

Citations

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⁸ "Unicorns in India: List of Startup Companies with Unicorn Status in 2024." *Forbes India*, ForbesIndia