

“A STUDY ON THE POSITION OF CHHATTISGARH IN THE EMERGING LANDSCAPE OF STARTUP INDUSTRIES”

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Abstract:

Today India is transpiring to be one of the most prominent startup ecosystems globally. It has undergone remarkable transformation in recent year and contributing in India to become a developed and a self-reliant country. This paper sums up the evolution of startup ecosystem in India, the position of Chhattisgarh in India with respect to startup industries. The paper is mainly based on secondary data collection and it was found that Maharashtra is the leading state with the most startup acquisition followed by the states of Karnataka and Uttar Pradesh according to the report released by DPIIT (Department of Industrial Policy and Promotion) which is making them three mega clusters of India with respect to start-up ecosystem. With respect to the state of Chhattisgarh, the state is lagging much behind and needs to buckle on so many aspects which would make the state having a successful approach towards startup industries. Startup industries in Chhattisgarh is still facing many challenges and drawbacks, despite Government's initiative in establishing various action plans and incubators; the startup industries in Chhattisgarh needs to face crucial competition with the large business houses . Entrepreneur should navigate this hurdle as strength, continuously learning from the experience, finding new innovative methodology and should be adaptable to face diversity.

Keywords: self-reliant, innovation, Chhattisgarh, startup industries, problems & challenges

INTRODUCTION:

Agreeing to Merriam Webster “A Startup may be a juvenile business enterprise”. It is the first stage in the various stage of operation of an enterprise where the primary objective is to gather maximum number of investors for the purpose of raising funds and such enterprise is operated /managed by handful of founders or by one individual. The initiation of startup was noticed in the USA between 18th and 19th century, which took shape in the early 20th century during the period of World War II when the US Government invested a huge amount of time & money in the research and development sector and hence it led to the creation of new ideas and technologies.

Further in the modern era, these new technologies were brought out of the closed doors, became commercialized and proved to be a success. The startup sector took a much finer shape in 1970s and 1980s which introduced many companies founded at that period includes Apple, Microsoft and Genentech. Starting a startup business is a risky proposition; a business has to go through certain developmental stages that start with drawing up a business model which represents the idea behind starting the company. Next step is the raising of funds through venture capitalist which will help in converting the ideas into successful business; followed by hunting the entrepreneurs with the same mind set who are curious in evolving a business setup and concluding build a good product. Nevertheless of all these arrangements, startup was a difficult task to accomplish with having increase in rates of failures in ideas and innovations, hesitation among the investors for funding and struggle in making a room around a competitive and veteran market.

Today in 21st Century, people are adapting the option of entrepreneurship as one of the most prominent career option to grow and marking a presence in the world of business. The advancement of technology and new innovations are making the survival of traditional businesses more difficult day by day. In this modern era we only need an idea and a laptop to initiate a startup, venture capitalization is easily accessible and people are highly motivated and inspired to be successful in their own terms. Despite Startup is characterized by high degree of risk and uncertainty; entrepreneurs are willing to be a part of the “UNICORN CLUB” (a startup that has a billion dollar valuation in the market).

REVIEW and LITERATURE RELATED TO THE FIELD of STUDY

Gaurav(2019) talks about the incorporation of various environmental friendly startup business since 2015 and it will need two special analytical tools which will monitor the growth and usefulness of such startups. Those detection tools are DGGF(Dutch Good Growth Fund) and ANDE(ASPEN Network of Development Entrepreneurs).

Jegadeeshwaran(2021) highlights about the opportunities and challenges that affects the smooth running of a startup business. The concept of Angel Tax and its prevailing tax rates are the main highlights of this paper.

NASA(2022) discusses India’s startup growth, emphasizing government-backed schemes encouraging youth to engage in manufacturing domestically. Highlighting Chhattisgarh’s rise in the Startup ecosystem , it underlines efforts to retain talent and foster innovation within the country, reducing reliance on foreign opportunities.

BAKSHI(2022) says that despite pandemic situations in India there was no shortage of innovative ideas and the entrepreneurs made a remarkable contribution in the Startup Ecosystem in all over the country. However Chhattisgarh state, being rich in mineral and human resources lagged behind in such intellect and almost negligible contribution was made from the respective state which is a matter of concern.

OBJECTIVE OF THE STUDY:

1. To have an overview about the number of startups recognized under DPIIT in all the States of India and the ranking of Chhattisgarh state amongst them.
2. To look upon the emergence of Startup Industries in Chhattisgarh and its contribution in the state.
3. To outline the benefits and challenges faced by the startup industries in Chhattisgarh.

HYPOTHESIS OF THE STUDY:

1. Only three states of India are leading partners in developing a cluster startup ecosystem.
2. Despite the initiative and action plans, Start-up industries of Chhattisgarh are lagging much behind the other states.

RESEARCH METHODOLOGY:

This research paper is based on secondary data collected through journals, articles, and published research work by various authors and data released by the Government on India on their official website. The study is descriptive in nature.

STARTUP ECOSYSTEM IN INDIA

According to Companies Act 2013 any entity whose time of incorporation is less than 5 years and the turnover for the last 5 financial years has not exceeded Rs.25Crores and the entity is engaged in the process of innovation, modification of old product & introduction of new product.

In India the startup initiative was put into the action when the government launched the Startup Program with effect from 16 January, 2016 with an objective of making India Self- Reliant, transforming ideas into business and generating large scale employment opportunities in the country. Thus this startup program is building an ecosystem which will make India the country of job creators inspite of job seekers and is managed under the guidance of Department of Industrial Policy and Promotion (DPIIT).

Today at least one DPIIT recognized startup has been established in the 36 States and Union Territories of the country. Even with the setup of the organization there is the necessity of forming a key objectives under which the organization will run and thrive for; such key objectives are :

1. Simplification and Handholding (less rigid, simple formalities & faster exit from the market)
2. Finding Supports and Incentives (Credit Guarantee Fund, Tax Exemption for 10 years)
3. Industry Academia Partnership And Incubation (forming innovation based national institutes, promoting and launching innovative based programs, encouraging biotechnological sectors)

Hence under the management of DPIIT there has been a tremendous increase in the number of Startup companies from its commencement in 2016. According to The State of Indian Startup Ecosystem Report 2022, India has become a home to more than 57000 startups and has become the third largest Startup Ecosystem in the world.

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The Graph below represents the number of Startup ecosystem recognized by DPIIT in 28 States of India:

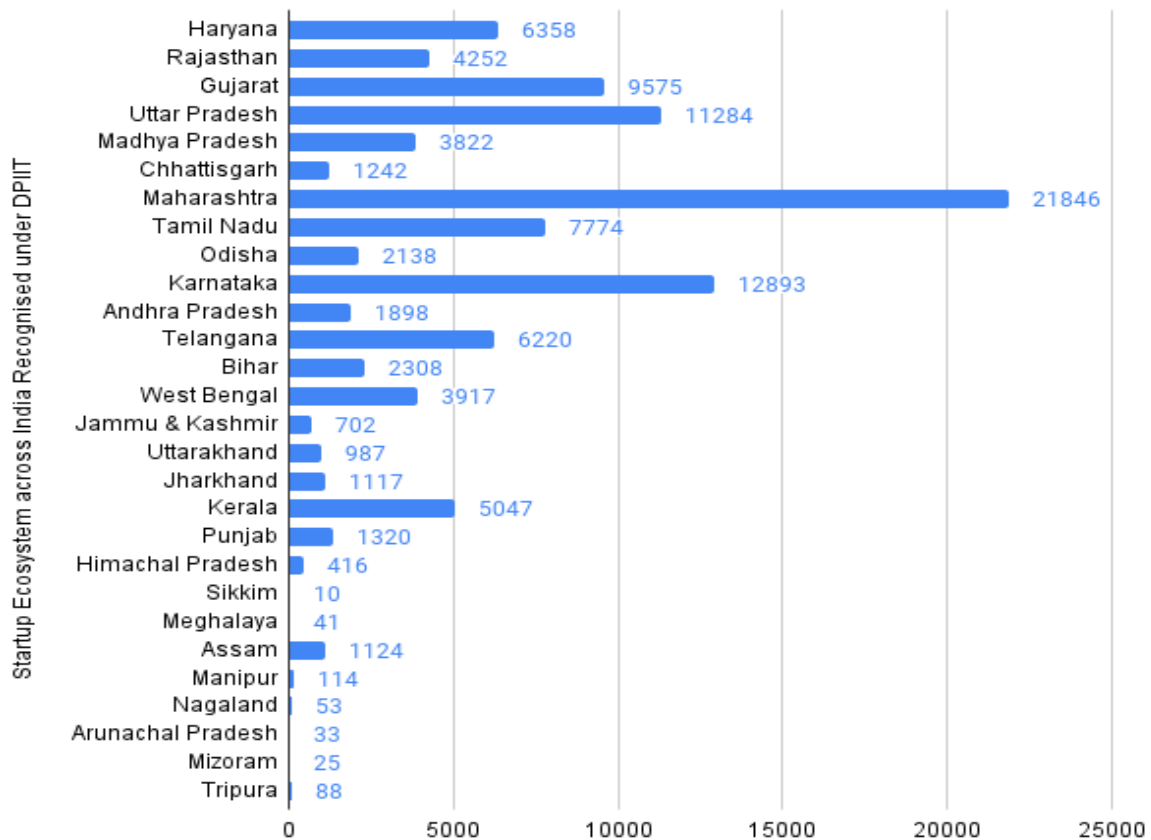


Figure 1: From the reports of DPIIT latest updated on 31st January, 2024

From the stats mentioned above says that the State of Maharashtra has the most number of Startups recognized under DPIIT.

City wise growth of Start-up ecosystem:

According to Global Startup Ecosystem Report(GSER) 2021, the major cities that has laid its position as the top cities are Bengaluru, Delhi, Chennai, Pune & Hyderabad ; where Mumbai emerges at the top position with 4 Unicorn Startups , Bengaluru at 23rd and Delhi at 36th position.

According to the DPIIT report, the state of Maharashtra has the most number of startup but the city of Bengaluru made up at 20th position followed by Delhi at 24th and Mumbai at 31st position in the GSER report , 2023.

Currently, Bengaluru is being poisoned under top 20 list of Global Startup Ecosystem with respect to funding, knowledge and innovative solutions. As per GSER 2023 report, Bengaluru’s economic value is \$164 Billion with 34 running Unicorns.

INTRODUCTION OF START-UP IN CHHATTISGRAH STATE

Chhattisgarh (C.G.) is a land of opportunities with abundance of natural and mineral resources. It plays a major part in contributing towards iron ore, aluminum, coal and electricity to India. A state's performance is measured from using its potential in the best manner and therefore the Department of Commerce & Industry of Chhattisgarh is working towards the betterment of the state day by day.

Chhattisgarh, being a 23 year old young state is thrilled towards bringing an impact on the society and hence has developed the agenda of "Right to Skill" and for that the department of Commerce & Industries has been working on the development Startup industries in the State. This department work under the industrial policy that is framed by the state and has created two policies since 2014, which has mentioned various benefits and slabs under which the startup industries can avail and enjoy the advantages.

From the year **2019 to 2023**, the number of startups recognized under DPIIT in C.G. was:

2019	2020	2021	2022	2023
152	143	159	233	360

Source : <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2002100>

The table shows that the state saw a period of downfall in the year 2020 when the whole world was under the wrath of pandemic (COVID-19 Outburst).

Under the Industrial Policy 2014-19, for the very first time the state of Chhattisgarh introduced The Innovation and Entrepreneurial Development policy in the year 2015 which mainly focused on utilization those resources which the state possess in abundance and for that full co-operation was provided by the Government sector by way of exemption, deduction and concession.

Major points that became the highlight of the development policy was the formation of incubators and accelerators to boost up such enterprise, establishment of at least 100 ventures, participation of academic hubs for the promotion of innovation/ startups and more importantly emphasizing on the fair treatments of women entrepreneurs and encouraging the women to have start-ups business regulated by them.

This policy mainly covers the established areas of coal, iron ore, aluminum and power; mobile technology, innovation on healthcare and agriculture innovations which would benefit the society as a whole. For achieving all of the above, the development of specifically three type incubator cum accelerator is being done through funding received from various Government Schemes:

- (i) Technology based incubator which is a knowledge station for all the other incubators, helps in turning ideas into product; established by Government, Educational Institute.
- (ii) Business based incubators which focuses on bringing in the society by promoting and encouraging those entrepreneur who are bringing innovative changes through their ideas/product by working at district level.
- (iii) MSME incubators focusing on accelerating small and medium scale enterprise by conducting entrepreneurial development program, providing financial and marketing assistance.

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Looking upon the sources of fund, a special leap of faith is implied on the start-ups business upto **Rs.50 lakhs** interest free for the first three years from the commencement of the business.

Along with that venture funding is available for more than Rs. 100Crore to invest in the start-ups of Chhattisgarh based on the conditions implied by the committee members.

If we talk about the market linkage which is a crucial component; with the use of corporate and state nodal agencies connection with the existing market and its operations will help in testing of products or ideas which shall be nurtured by the building capitals from the incubation centers.

Up till now (as of 2023) there are a total **19 incubators** working effectively in promoting the visions of the entrepreneurs.

Based on the geographical area and abundance of natural resources present in Chhattisgarh, the most profitable business ideas can be:

1. **Agriculture & Food Processing Business**
2. **Fish Farming and Poultry Processing Business**
3. **Mineral Business (coal, iron ore. Bauxite , limestone)**
4. **Cement Franchise Business**
5. **Steel Production Company**
6. **Restaurants Business**
7. **Readymade Garments (Kosa , Silk)**
8. **Tourism (wild life sanctuary , Caves , Historical monuments)**
9. **Sunflower Farming Business**
10. **Car Rental Business**

Between the years **2016 to 2022** many startups were recognized under DPIIT of Chhattisgarh.

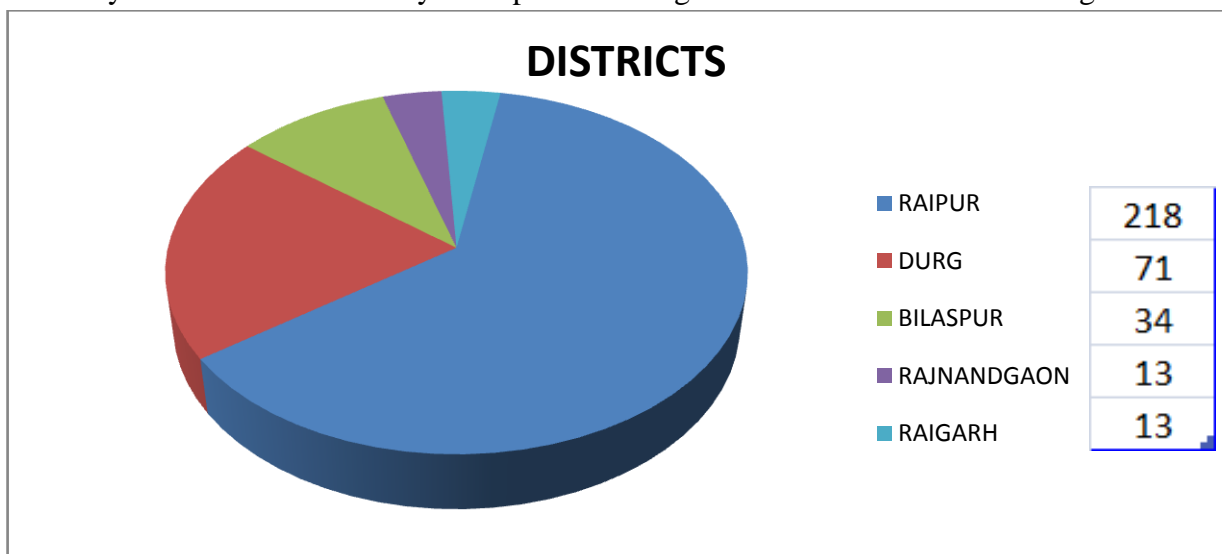


Figure 2: Out of 33 districts in Chhattisgarh, the leading districts having registered Startup industries

Source: https://industries.cg.gov.in/startupcg/pdf/startup_list.pdf

Apart from 5 districts the other districts that have not been mentioned is because their number in startup industry is comparatively very less and have a negligible contribution in the economic development of the state.

The nodal agency that is providing with the land allotment for start-up industries is the Department of Commerce and Industry and Chhattisgarh State Industrial Development Corporation Ltd.(CSIDC) ; the start-up registered under these nodal agencies will receive grants, concession and exemption declared by the government under the start – up package policy.

The amount of grant available for the various level of industries are :

Industry	Grant (₹ in lakhs)
1. Micro and Small Scale Industry	60
2. Medium Scale industry	70
3. Large Scale industry	110
4. Mega Industry	350

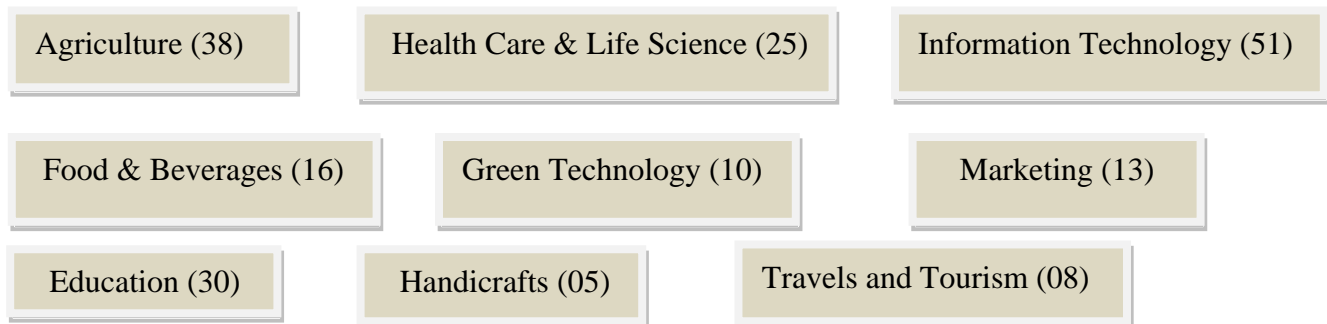
The various initiatives taken by the Government for the promotion of startup industries are:

- Interest subsidy @ 75% on the term loan upto ₹ 70 lakh p.a.
- Stamp duty on purchase and lease of land is fully exempted for three years
- 60% rebate in land premium if any startup industry is established under the industrial park land allotted by Department of Commerce and Industry and CSIDC
- Reimbursement of all the taxes @ 100 % by the State Government for the first three years for the first 36 startups
- 60% Grant or maximum of ₹ 1.25 lakh shall be incurred by the Government with respect to expenses incurred for Quality Certification by the entrepreneurs
- To uplift the public sector to set up the incubators and vocational training centers for nurturing the start ups.
- Technical Patent Grant @ 60% for obtaining the grant and purchasing the technology
- Organizing start-up fest at regular intervals for giving an equal opportunity for the new entrepreneurs to show case their ideas
- The benefits of Pradhan Mantri Rojgar Srijan Yojna and Mukhyamantri Yuva Swarojgar Yojna is provided as per the eligibility of the start-up industries.

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- For the better development of startup industries, the state government is taking a mindful initiative to co-ordinate/ collaborate with the state's industrial units for the purpose of motivating them and making a value addition to the products made in such industrial units
- Special Industrial Investment Incentive package is designed for the entrepreneurs belonging to the category of scheduled caste/tribe and the women entrepreneur belonging to the scheduled caste/tribe/naxalite affected families will be provided with an addition of 10% in grant and extra one year relaxation in cases of exemption.

The top sectors engaged with established number of start-up ecosystems in Chhattisgarh are:



Source: https://industries.cg.gov.in/startupcg/pdf/startup_list.pdf

Apart from the aforementioned sectors there are various fields such as Construction, chemical industries, Internet of things(IoT) , advertisements Talent Management and human resources companies but they are shorter in number

CHALLENGES ENCOUNTERED BY ENTREPRENEURS IN CHHATTISGARH

- Financial curtailment becomes the most primary challenge faced by the entrepreneurs whether be it asking for investments from the investors or from the venture capitalist.
- Intense competition with the big business houses having enough financial and human resources becomes a great deal for the new rising entrepreneurs even to stand out in the market.
- Hiring of talented individuals who would work hard dedicate themselves in a startup becomes a tiring and time taking job.
- Complexities of various rules and regulations of local, national and international bodies becomes a crucial task to remember them which increases the chances of bearing legal notice and financial penalties.
- Difficulty in meeting the market demands, unable to meet up the expectations of customers and failing to stand out in the market with monotonous ideas.
- Scaling of a business enterprise from a small team to a large business organization with no expectation of earning huge profits in the initial years is a remarkable challenge in itself.
- Lack of exposure and guidance with respect to choosing the suitable funding, market strategies, research on customers and what should be the pricing policy for the product etc. are curbing the growth of entrepreneurs.

FINDINGS and CONCLUSION

According to the state's startup ranking report of 2019 published by the Ministry of Commerce and Industry Chhattisgarh is lagging behind many states. Except for contributing a major part to the nation's GDP, the startup industries still need much exposure. The incubator centers need to be more active in the seed capital funding for the startup industries.

19 Incubation centers are not good enough for a state of 33 districts. More incubation centers, institutional support and culture of venture capitalism need to be promoted.

Despite the online registration portal developed by the government with the motive of ease of doing business; people lack awareness and outreach.

Special initiative should be taken by the Government to promote tribal based handicraft industries for the socio economic development of Chhattisgarh.

CSIDC has lesser contribution in the startup industries with respect to land allotments as they are more inclined towards the larger projects which are a major threat for small startups.

Prime Minister's vision of Viksit Bharat @2047 draws major key factors under which innovation holds the flagship for making India a developed and Self-Reliant Nation. Today India ranks 5th in GDP ranking and listed at 12th position in the most powerful countries in the world. Innovation and technological advancement will shape India into a more flourished nation in the coming years. Startup ecosystem in India will prosper more when the entrepreneurs will feel the of ease doing business, no barriers in communication and proper mentoring lessons from time to time to prepare them to face harsh competition not only with the big business houses in domestic land but also across the globe.

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