



## **BUSINESS INCUBATION IN INDIA**

**Mrs Sunindita Pan,**

Lecturer in Economics, Loyola academy Degree & P.G.College, alwal, telangana-500010

### **ABSTRACT**

A salient feature of globalization is the extension of the international division of labour to specialization in different goods and services of the production chain across regions. This offers expanding opportunities for modern small enterprises that can anticipate and organize for change. In this global environment, innovation and entrepreneurship are the driving forces that move an innovation concept towards enhanced productivity and competitiveness and on to economic growth. Innovative business formations can lead to productivity improvement of existing industries and create new industries. Successful innovative business formations have a special relevance for the welfare of a national economy and technical progress. To increase the success and survival rates of innovative business formations sustainably, government made several attempts to create a better environment for entrepreneurs. It is the business incubator's objective to increase the chances of entrepreneurial success and survival within an incubation programme. This objective can be achieved if, besides the provision of administrative services, facilities, funding and comprehensive transfer of entrepreneurial know-how needed for the start-up success, are given to the entrepreneur efficiently. This paper is an attempt to enlighten the status of business incubation in India. This paper can provide a sound basis for further research. The scope of research could also be extended to study the incubation outcomes, which have not been addressed in this study. There is no evidence of any significant attempt made so far by way of systematic research in assessing business incubation in India. In absence of any past research to go by, this study is an attempt to understand the status of business incubation in India.

**Keywords-** Innovation, entrepreneurship, globalization, business incubation.

## **Introduction**

Business incubation in India is a relatively new concept, while many initiatives in the commercialization of technology have been in existence for long. Business incubation in commercial setting has been a development coinciding with the growth of IT industry in the late 1990s. The dotcom boom and the development of the venture capital industry in India also supported the emergence of business incubation in India. Though it is still in a nascent stage, there is a need being felt for incubators to provide assistance to start-ups and guide them in a manner that will increase their chances of success.

The term incubation is used in very broad sense to mean speedy commercialization of ideas by the innovators, by letting them concentrate on their core strength and by providing all other necessary support to them. The term business incubation is used for both business support process and instrument of economic promotion. A business incubator is a facility that is designed to assist entrepreneurs to develop and establish their businesses during the start-up process. In simple terms, business incubation centre is a micro-environment with a small management team that provides physical workspace, shared office facilities and professional services in one affordable package. Incubators vary widely in their sponsors, objectives, location, focus and business model.

An entrepreneur must have the ability to effectively deal with uncertainty while creating a new venture. Risk-taking is an important part of personal growth and is useful in conducting business activities. A successful entrepreneur must generate valuable ideas for new goods or services that target an identifiable market with potential opportunities. In a rapidly changing global economy, small and medium enterprises are a force for enhancing economic growth and employment. In many competitive economies, business incubation is one of the tools that have helped to create new entrepreneurial skills and new businesses.

Business incubator programs, often called new entrepreneur creation projects helps develop new entrepreneurs and support them to start up business and be better able to survive on a longer-term sustainable basis. Business incubator is an entity which helps start-up businesses with all the

necessary resources that the start-ups needs to evolve and grow as a mature business. They provide incubates, the start-up businesses supported by incubator, with necessary infrastructure support, technology support, research assistance, help in getting funding, business consulting assistance and do whatever is necessary to make the start-up a process. Entrepreneurs with feasible projects are selected and admitted into the incubators, where they are offered a specialized support resources and services.

Tiruchi Regional Engineering College-Science and Technology Entrepreneurs Park was the first business incubator in India. It was launched in 1985 and was fully operational by 1989 with 15 nursery incubators. Start up village is a technology business incubator in Kochi and is India's first incubator that is funded jointly by the public and private sector; the promoters of startup village are Department of Science and Technology, Government of India, Technopark Trivandrum and MobME Wireless. Kris Gopalakrishnan, co-founder of Infosys and the most successful IT entrepreneur from Kerala, is the chief mentor. It aims to incubate 1,000 product startups over 10 years and it primarily start up village primarily focuses on student startups form college campuses. Well structured incubators provide links to industry; business support services to enhance and develop business; upgrade skills and techniques; technological advice and assistance with intellectual property protection; financial resources for R and D; initial marketing expenses; and access to potential private investors and strategic partners. A lot of technical innovations remain unexploited due to lack of knowledge of innovations that have the potential to be taken to market. Business incubators can play unique role in facilitating knowledge sharing and commercializing technical innovations by creating models that bring together stakeholders.

### **Business incubation process in India**

Once an idea is developed and has business potential, the entrepreneur is given an opportunity to present it to Indian Startup's screening committee. The entrepreneur is then informed to submit certain documents prior to the commencement of incubation, if it is selected. The entrepreneur is required to register as a legal business entity. The company has to submit its legal documents before the necessary incubation agreements can be prepared. Once the agreements are signed, the company is sent a letter allocating the incubation facility, necessary resources and indicating the start date of incubation. A lead advisor is assigned to help the entrepreneur in all the stages of

incubation process. During the phase of incubation, there are several meeting with the Indian startup team to evaluate the progress of the startup. They are given satisfactory exposure to startup ecosystem. They are encouraged to take part in major business showcase events that are conducted by prominent organizations including Indian startup. The final part of the incubation process is graduation. It means that either the company has a good flow of paying customers or the following round of funding or financial support has taken place. The goals of business incubation are

1. Support start-up enterprises and existing entities-Incubation reduces risk of failure, increases longevity and fuels growth.
2. Raise incomes, create jobs and generate wealth-Supporting enterprise growth, increasing wage employment and fueling the local economy.
3. Encourage local wealth retention and reinvestment-This includes keeping business activities local such as hiring, procurement, buying local-buying Indian.

Business incubators are also known as accelerators, science parks, innovation centres, technology parks and whole variety of other names coined over the years-are places where new businesses can set up in a benign environment, with support services and advice. The many names try to describe the task that they perform.

Table 1-Few examples of innovation incubators in India are

<b>Name</b>	<b>Location and Year</b>	<b>Reach out</b>	<b>Focus</b>
Amity innovation incubator	Noida, 2008	Ojasvi Babber	Rural innovation and social entrepreneurship, information and communication technologies, education and education technologies, biotechnology, material sciences.
Angel Prime	Bengaluru, 2011	Bala Pathasarthy	Mobile internet, ecommerce and tablet app
CIIE IIMA	Ahmedabad,	Kunal	Information Communication

	2007	Upadhyay	technology, Cleantech
NSRCEL	Bangalore, 2002	Prof. G Sabarinatha	Not available
Entrepreneurship Park	Kharagpur, 1989	Prof Indranil Sengupta	Not available
Seedfarm, seedfund	Mumbai,2012	Mahesh Murthy	Consumer internet, ecommerce, sports, education, healthcare, financial services, abalytics, online ticketing
Srijan capital	bangalore	Ravi trivedi	Ecommerce, SAAS, mobile, social media and consumer internet.

Business incubation has been identified as a means of meeting variety of economic and socio-economic policy need, which may include:

- Employment and wealth creation;
- Support for small firms with high growth potential;
- Transfer of technology;
- Promoting innovation;
- Industry cluster development;
- Enhancing links among universities, research institutions and the business community.

### **Establishing business incubators-key aspects**

While establishing an incubator, the following aspects have to be considered:

- Government support- Mobilizing government support through funding fully or partly to initiate the concept, implement the operations plan and cover initial operations

- Community participation- Promoting active community participation and private industry membership of the governing and advisory boards and their involvement as mentors, suppliers and customers.
- Experienced management- Organizing tenant support by a small experienced management staff. Rural managers note inexperience as a major challenge and need wide range of skills: business support, operations and technology or financial literacy.
- Selection and graduation criteria- Implementing the selection and graduation criteria because the essential feature of the incubator is the development of viable tenant businesses within a relatively short period of time. Incubators should assess potential tenant manager's readiness to grow, be coached and contribute to community.
- Financial stability-Ensuring the financial stability of the incubator itself. Startup funding is easier to find; operating capital is more difficult. Over time, self-sufficiency and independence are critical. Vibrant entrepreneurial communities have numerous capital sources.
- Good location-Repercussions of poor site selection include high renovation costs; low access to network/customers; and small size with insufficient income to cover overheads. Good roads, transportation links, communication networks, and IT infrastructure are key to successful incubation.

### **Incubator-benefits**

- Clients-The incubator enhances the chances of success, raises credibility, helps improve skills, creates synergy among client-firms and facilitates access to external experts and facilities, mentors, information and seed capital.
- Governments-It helps overcome market failures. It promotes regional development, generates incomes and taxes and can demonstrate a political commitment to small businesses. It generates jobs especially after the client graduates from the incubator.
- Research institutes and universities-It strengthens interactions, promotes research commercialization and gives opportunities for faculty and graduate students to better utilize their capabilities.

- Business-It develops opportunities for acquiring innovations, supplies chain management and spin-offs and help them meet their social responsibilities
- Local community-It creates self-esteem and entrepreneurial culture and jobs.
- International community-It generates opportunities of trade and technology transfer between client companies and their host incubator, a better understanding of business culture and facilitated exchanges of experience through associations.

### **Weakness of incubators**

The main weaknesses of incubators in developing countries like India are

- Focus on tangible services;
- Reliance on government both in terms of promotion and funding;
- Lack of qualified personnel and skilled managers;
- Lack of planning and creativeness in solving problems and providing services.
- Inconsistent regulations, property rights and land use issues.
- Low levels of education

**Table-2 Comparison between countries-incubator policies**

	<b>China</b>	<b>India</b>	<b>USA</b>
<b>Strategic focus</b>	High-tech focus, foster entrepreneurship	High-tech focus but also traditional incubators to create ventures and jobs	Mixed. Transfer of technology, economic development
<b>Scale</b>	Big-average 60 firms per incubator	Small and smaller-less than 10 firms per incubator	Small and some large incubators
<b>Incubator funding</b>	Government	Government	Government, universities

<b>Incubator services</b>	Mostly tangible and poor intangible	Tangible and poor intangible	Tangible and intangible specialized services
<b>Incubator management</b>	Poor	Poor	Strong
<b>Role of government</b>	Very active	Present	Low rather supportive
<b>Role of university</b>	present	present	Very active
<b>Institutional environment</b>	Weak but developing	Weak but developing	Developed

## Conclusion

Innovation is key to progress. Policymakers can help facilitate the creation of an innovation and entrepreneurship ecosystem that encourages entrepreneurs, who are willing and eager to take the risk of bringing new ideas to the market, to turn the potential of their idea into real economic value. Business incubation is one vehicle for providing such assistance. Business incubators need to look beyond their current role as providers of subsidized infrastructure and services to a limited group of entrepreneurial individuals and focus on the broader role they could play in creating a ecosystem of entrepreneurship. It is time for Indian incubators to come together as an association similar to the National Business Incubation Association in the US and share resources and best practices to make business incubation as effective and efficient as possible.

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