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## ROLE OF INVESTMENTS IN INNOVATIVE BUSINESS INCUBATION

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With the significant increase in the business opportunities, the competition in the market has also increased. Now the entrepreneurship is not taken as the inherited business but it has been changing to professionalization. Start-up Incubation holds significant importance in a country like India where entrepreneurs by the score are launching new setups and changing the game of business. For the uninitiated, business incubation programs or centres provide support functions, mentorship and resources to individual entrepreneurs or entrepreneurial setups. This enables them to get all the expert advice and technical guidance that they need to survive for a longer time, unlike most other entrepreneurial ventures that fizzle out within a few months of their launch. Almost every other prestigious B-school today houses an incubation centre so that great ideas can be nurtured from their very source. Currently there are about 100 incubation centres supported by the ISBA which is the apex Indian professional body supporting business incubators. Private incubators are a handful, but gradually growing. These numbers are expected to double within the next two years.

As the government of India in the last few years is focusing a lot on increasing employability through skill development as the jobs cannot be increased up to the requirement in our country. There are a number of ways through which government is promoting small, medium as well as the large entrepreneurs. The major problem which these entrepreneurs are facing is the financial crises. Also the slow progress in technology advancement is another obstacle in development of business.

In the recent past few years the term business incubators has solved many of the major problems faced by the entrepreneurship in our country. Rajasthan is the state where people have very limited scope of investment and thus not much business is growing here. To develop state economy state government is also emphasising towards the growth of investments in business incubation. The Rajasthan government is setting up seven centres in the state for youths who want to launch a start up catering to 50 different types of businesses. The state government is also planning to open new centres. These centres are being opened in seven cities of Rajasthan including Jaipur, Udaipur, Alwar, Kota, Ajmer, Bikaner and Jodhpur, for which final approval has been given. Youths who want to start a business will get training on manufacturing products and marketing them effectively. They will also be trained for managing their business and how they can optimize their business accounts for maximum profits and tax savings. These centres will have machinery and equipment for businesses involved in napkin production, solar inverters, solar panels, lamps, organic fertilizers, food processing, water filtration, LID, green house etc. Each LIB centre will get a grant of Rs 1 crore from the central government. If the business model is successful, you can get loans from banks under Bhamashah Employment Generation Scheme (Bhamashah Rojgar Shrijan Yojana) and Prime Minister Employment Generation Programme. An additional 4 percent discount on loan instalments. Under the Bhamashah Rojgar Shrijan Yojana, the government has already distributed loans worth nearly Rs 172 crore to 14632 youths in 2015-16 and 2016-17. The amount of loan is Rs 428 crore for 4299 youths under the Prime Minister Employment Generation Programme. Selection of startups is currently underway and remains sector-agnostic. Basic infrastructure facilities include:

- high-speed internet

- world-class workspaces
- video-conferencing rooms
- individual and shared offices, meeting rooms
- other necessary infrastructure

In addition to the infrastructure, the Government of Rajasthan will provide one-of-its-kind dedicated mentorship support, wherein mentors will work full-time with startups for their overall growth and promotion. This facility is not available anywhere else in the country.

### Objectives of the increasing investments in business incubations are as follows:

- To create jobs and wealth
- Fostering a communities entrepreneurial climate
- Technology commercialisation
- Diversifying local economies
- Building or accelerating growth of local industry clusters
- Business creation and retention
- Encouraging women or minority entrepreneurship
- Finding out poetical business opportunities
- Community revitalisation

### Challenges and Strategy for increasing the business incubators in the state of Rajasthan

The economy of Rajasthan is not a much developed one. There is lack of investors who could invest in correct direction and can mobilise capital in an effective manner. The people residing here are very less interested in investing in unpredictable areas. The reason for not development of this sector can be-

- Increased cost of human resource
- Lack of capital
- Illiteracy and less trained personnel
- Unwillingness of persons to separate from their savings
- Unawareness among people regarding the functions of business incubators

The government of Rajasthan has though helped in the growth of these incubators but the major step taken in this area is the decision of state government to create at least 50 incubators in the state, 500 start-ups, and



mobilisation of at least Rs 500 crore of funding through angel investors, venture capital funds (in the next five years).

To understand the challenges and the opportunities therein here is a case study:

**Case 1. Harshil Mathur, Founder of Razorpay, says, "We moved out of Jaipur a year back. But starting up in that city gave us an added advantage as it lowered all the costs, including the salary packages, logistics, rental, etc. All this contributed to the low cash burn, which is essential for an early-stage startup."**

Source: <https://yourstory.com/2016/08/jaipur-startups/>

On the challenges front, he says that raising capital sitting back in the city is tough as the entrepreneurs do not have ample opportunities to meet the investors, who prefers to restrict themselves to the metros and not travel to these tier II cities. Secondly, these startups face a serious challenge while hiring senior technical folks who prefer to work in metropolitan cities and avail better scope.

**Case 2: "Although the penetration of online services has been growing, but in terms of revenue Jaipur still does not make it in the top 10 city list. We have received incredible response from tier II cities, but 80 percent of our revenue is still generated from the tier I cities," says Anurag Jain, Co-founder and COO of Girnarsft.**

Source: <https://yourstory.com/2016/08/jaipur-startups/>

Jointly in 2014 and 2015, the company had incubated around 750 colleges. But this year they have incubated more than 750, which vividly shows the growth of startup activity in this city. Commenting on the business models, he says, "In the present market, B2C has a higher demand, but many business models are now being pivoted to B2C models as they are working well these days."

## How to raise money in the market

Now, when a person require funding depends largely on the nature and type of the business. But once you have realized the need for fund raising. According to a recent study, over 94% of new businesses fail during first year of operation. **Lack of funding** turns to be one of the common reasons. Money is the bloodline of any business. The long painstaking yet exciting journey from the idea to revenue generating business needs a fuel named capital.

1. Self-funding, is an effective way of startup financing, especially when a person is just starting a business.
2. Crowd funding is one of the newer ways of funding a startup that has been gaining lot of popularity lately. It's like taking a loan, pre-order, contribution or investments from more than one person at the same time.
3. Angel investors are individuals with surplus cash and a keen interest to invest in upcoming startups.
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5. Get venture capital for the business. A venture capital investment may be appropriate for small businesses that are beyond the startup phase and already generating revenues. Fast-growth companies like Flipkart, Uber, etc with an exit strategy already in place can gain up to tens of millions of dollars that can be used to invest, network and grow their company quickly.



## Conclusion

Thus from the above discussion we can conclude that though the state government of Rajasthan has been putting enormous efforts in promoting investments in business incubation but the progress is very slow and the pace of improvement and increment should be increased. More of the investment proposals must be promoted here along with the middle and small enterprises large scale enterprises should also be promoted.