

# Startup Companies in Goa: A Study of the Prevailing Ecosystem, Determinants and Operational Challenges

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**Abstract** - A Start up is defined as an entrepreneurial venture which is a newly emerged business venture that aims to meet a market place need, want or problem by developing a viable business model around products, services, processes or platforms. The Government of India has initiated several measures to promote startups in the country with a view of creating employment opportunities and promoting economic growth. The study attempts to find out the various factors that motivated the founders to set up their startups and also throw light on the problems that these entrepreneurs experience. The paper is based on primary data collected from a total of 10 startup founders in the State of Goa. Convenience and random sampling has been used to select the respondents. The data findings are based on their responses to the interview schedule.  
**Keywords:** Startups, Employment, Education, Challenges

## I. INTRODUCTION

A Start up is defined as an entrepreneurial venture which is a newly emerged business venture that aims to meet a marketplace need, want or problem by developing a viable business model around products, services, processes or platforms. A startup is a 'human institution designed to deliver a new product or service under conditions of extreme uncertainty (Eric Ries). A startup is a company working to solve a problem where the solution is not obvious and the success is not guaranteed, (Neil Blumentahl). The Department for Promotion of Industry and Internal Trade (DPIIT) widened the definition of startups in February 2019 from its earlier definition under Startup India, Stand Up India Scheme. An entity will now be considered a startup till upto 10 years from the date of its incorporation and if its turnover in any of the financial years since its incorporation has not exceeded Rs. 100 crores.

India is one of the best countries to transform an idea into a business venture. With the surplus advantage of a huge target market, so many needs and a technological strong growing economy, India is stepping towards becoming one of the world's strongest tech markets with the best startups in India. India has emerged as the third largest start-up base after the US and UK and such ventures are poised to grow 2.2 times to reach 10,500 by 2020, employing over 2,10,000 people across the country as reported by a study carried out by Nasscom-ZINNOV. The demographic profile of the country suggests that a large percentage of India's population is young. By 2020, it is estimated that the average age of an Indian will be twenty nine. The young

Indian is educated, skilled and has the expertise and potential to set up his own business enterprise. This demographic dividend leads to not just an ample source of manpower but given that it is characterized by skill, education and technical expertise, serves as a driving force for entrepreneurship.

The digital revolution has taken over. The young are technologically savvy and many have creative minds. It is this essential attribute of the country's population that makes it ideal for developing entrepreneurship and more particularly startups.

Startup India was a programme launched by the Prime Minister in 2015 with the objective of formalizing initiatives to motivate citizens to take up entrepreneurship related to technological innovations. The startups have contributed to employment generation and are a driving force towards economic growth.

Within the country all states have recognized the need to promote a startup eco system, and the state of Goa has also followed suit. The State of Goa is considered to be an industrially backward state. Unemployment is a major problem afflicting the state economy. The state churns out thousands of graduates, postgraduates, and professionals year after year. However, not all of them get productively employed. The capacity of the government to create jobs has also declined. Growing unemployment can create economic and social problems. The need of the hour is therefore self-employment. While the government jobs are not keeping pace, efforts are needed to promote private initiative. Moreover, the younger generation is a generation with a lot of potential to think out of the box. They are educated, have the requisite skill and the wherewithal to start their own enterprises. A number of initiatives have been taken by the government to promote startups in Goa. Various departments of the Government as also other institutions have been providing assistance to budding entrepreneurs in the state.

The present study is an attempt to study the prevalence of a startup culture in the State of Goa. Through case studies, the paper also attempts to find out the factors that motivated young citizens to convert their ideas into business ventures and the challenges that they encountered in the process.

## II. REVIEW OF LITERATURE

A number of researchers and academicians have carried out research studies on startups in India. The review of literature on this topic is detailed below.

Dutta (2016) throws light on the startups and various government initiatives. In particular, the researcher has studied the various factors determining establishment of a business, the role of the government and problems faced by startups.

Sunanda (2017) details initiatives taken by the government of India for startups and throws light on the different stages in establishing start-ups. The researcher also makes suggestions for successful management of start-ups. The paper also throws light on working of some successful startups in the country viz – Zomato, Red Bulls etc.

Kaur, A.P (2017) in the research paper entitled '*Startup India: Challenges and Opportunities*' which is based on secondary data opines that due to globalization and advancement in technology competition is increasing day by day. That is the reason why self-employed consciousness among college students is increasing at fast pace. The paper investigates the challenges and opportunities experienced by startups in India. It has also discussed the various opportunities of startups in India by using a literature based analysis.

Marina K & Jelena Horvat Maja Lalic attempt to investigate whether Croatia has made a shift from traditional to newer methods of financing. This paper presents the development of start-up companies and potential sources of financing. One of the problems encountered by the researchers was the non-availability of registered database of start-up companies.

Shorewala P & Chaudhary P (2016) find that the increasing number of new generation start-ups created something of an 'euphoria' in major cities in India. They have identified the common reasons of failure of start-ups across different sectors and analysed a few successful models which can be emulated by rising entrepreneurs.

Badra S. & Sharma V., (2016) aim at understanding respondents perception of terms such as start-up initiatives, awareness about start-ups, expectations of respondents from the start-up initiatives. The research is based on both qualitative and quantitative data collected from a randomly selected sample comprising of 135 MMS students in Mumbai. The paper finds among other things finds that:

1. Majority of the respondents felt that setting up of 10,000 crore Startup fund is the best initiative of the Government to encourage the flagship program.
2. Respondents felt that tax exemption on incubation and seed funding is critical for Startup India. It is one of the key concerns of entrepreneurs, which the Government is keen to address.

3. Easier exit clause for Startups is critical to the success of the initiative. It provides protection to the risk taking businessperson, who is very concerned about what happens when the business fails.
4. Majority felt the need to get access to bank finance and easy terms of credit. It was felt that deprived sections of society and underprivileged should be protected against any possible discrimination. One view emerged that banks and other financial institutions should encourage economically disadvantaged sections to participate in the mainstream.

Most of the research work available on startups in based predominantly on secondary data sources. No study is available on startups in the State of Goa. It was in this context that it was felt that this topic would be interesting as it would generate additional information about startups and the startup eco system in the State of Goa.

## III. OBJECTIVES OF THE STUDY

1. To highlight the startup ecosystem in the State of Goa.
2. To profile the respondent startup founders and their companies.
3. To highlight the factors that motivated them to set up their companies.
4. To list out the challenges and problems that these entrepreneurs experience.

## IV. METHODOLOGY

*A. Data Sources:* The study relies on both primary and secondary data sources.

*1. Primary Data:* An interview Schedule was constructed and administered to the respondents' viz. the founders of startups in South Goa. Besides, the officials of the Centre for Innovation and Business Acceleration (CIBA) at Verna as also the officials of the Goa State Innovation Council (GSIC) were interviewed. Their responses have also conditioned the findings of the study.

TABLE I SAMPLE SELECTION

S. No.	Name of Startup	District/Locality	Facilitators/ Incubation
1.	Infinty 3d	Verna	CIBA
2.	Horivacao	Carmona	CIBA
3.	Mascorp Bio	Margao Industrial Estate	CIBA
4.	Soul Travelling	Fatorda	Self
5.	Elementronics	Margao	Manovikas
6.	Zeusilious	Margao Industrial Estate	Self
7.	Think A Print	Verna	CIBA
8.	LetcetraAgritech	Fatorda	Self
9.	Brushflicks	Verna	CIBA
10.	Native Folks	Verna	CIBA

Source: Field Data

2. *Secondary Data Sources:* Secondary data was obtained from the newspapers, journals and web sources.

*B. Sample Selection:* A total of 10 respondent founders of startups were selected on the basis of convenience and random sampling. The respondents were selected from out of the names suggested by the CIBA and the GSIC.

## V. DATA FINDINGS

### A. Startup Ecosystem in Goa

A number of players both state and non-state have been instrumental in promoting a startup culture in the state of Goa. Some of these include

#### 1. Centre for Incubation and Business Acceleration (CIBA)

CIBA has two centres in Goa – one at Assagao in North Goa and the other at Verna in South Goa. CIBA serves as the Incubation centre where young entrepreneurs are motivated, guided and provided with the necessary expertise to convert their ideas into workable products or services ready to be marketed. CIBA is a technology business incubator which supports innovative startup companies by providing services such as mentoring, support, networking opportunities, office space and seed fund. CIBA helps entrepreneurs turn ideas into viable businesses. Entrepreneurs who wish to avail of CIBA's incubation service need to apply for the same. CIBA provides facilities such as incubation, prototyping, seed funding, mentoring, space, accelerator programs – a platform to fast track business ideas into success and networking to many entrepreneurs not only in Goa but from all over India. CIBA was set up in 2012 to boost the startup ecosystem in Goa. Over the years, CIBA has been instrumental in supporting over 90 plus startups in various sectors.

#### 2. BITS BIRAC BioNEST

Recently, an Incubation Centre was also set up at BITS Pilani, Zuarinagar. The BITS BIRAC BioNEST lab will help startups in Health and Environment Sector by providing them with equipment, space and supporting facilities to test their ideas, prototype in the lab and take it to the market.

#### 3. PROTOTYZE

PROTOTYZE is a venture studio. Located at Dona Paula, this company enables entrepreneurs to turn their ideas into business. Companies born at PROTOTYZE benefit from offices and infrastructure, centralized business services-financial, legal, recruitment, expert assistance in key stages, network of clients, partners and investors. The company has successfully seen the start of the following startups – Loan Singh (lending as a service), mobiefit (mfitness), HANDY TRAIN (mtraining), TempoGO (Transportation technology).

#### 4. NITI AAYOG: Atal Tinkering Labs

Under the Atal Tinkering Labs scheme started by the Niti Aayog, a total of 11 schools in the state have received grants of upto Rs. 10 lakh to start tinkering labs on their campus. The tinkering labs are mentored by the Goa National Institute of Technology and the Indian Institute of Technology. Young children get a chance to work with tools and equipment to understand science, technology, engineering and Mathematics). The Atal Tinkering Labs contain 'do it yourself' kits and equipment on science, electronics, robotics etc.

#### 5. Government of Goa

The Government of Goa through the Department of Science and Technology as also the Goa State Innovation Council carries out various Boot Camps for students in order to create awareness and promote the idea of entrepreneurship.

#### B. Profile of the Respondents and Their Startups

1. *Age:* The selected sample is relatively young. The mean age of the founders of startups is 30.
2. *Gender:* 80% of the entrepreneurs are male indicating that the startup eco system is male dominated.
3. *Religion:* The respondents belong to different religions.
4. *Caste:* All of the respondents belong to the general category.
5. *Education:* Most of the respondents have an engineering and technical background. Just 10% of the sample belongs to the general education stream.
6. *Nature of Business:* The startups are into a variety of business ventures: 3D Printing, production of bio diesel, manufacturing of mobile switch gear, rural tourism, travel, robotics for school children, hydroponics, creating a platform for artistic talents and solar paneling.
7. *Nature of Ownership:* The nature of ownership varies among startups. While a few are sole proprietorships, some founders have partnered with others and most are private limited companies with CIBA being a shareholder, its seed money contribution being converted into shares.
8. *Funding:* Most of the startups have relied on their self-finances. Besides they have also availed of credit from the banking system as also funding from their friends and relatives. The seed fund received from the CIBA also contributes to their capital.
9. *Employment Generation:* Two of the startups viz. Think a Print and Elementronics do not have any employees. The total employment generated by the respondents is 54. The males employed (28) outnumbering the females (26). The limited extent of employment generation can be attributed to the fact that these startups are relatively new.
10. *Marketing Strategies:* Most of the startups in the study market their products/services through social media-Facebook and Instagram. All, except one of the startups

have their own website. A few of the respondents use both retail and online mechanisms to sell their products.

11. *Profitability*: Being relatively young, most of the startups are yet to break even, however regular income generation is a positive feature of these startups.
12. *Premises*: While nine of the startups operate from leased premises, one operates from his own premises.
13. *Internship*: Internship is a primary feature of startups. Five of the startups have employed interns.
14. *Emoluments*: The minimum and maximum salary outgoings in a given month is Rs. 5000 and Rs. 60,000/- respectively.

### C. Factors Motivating Establishment of Startups

The founders of the startups listed several factors that motivated them to translate their ideas into entrepreneurship:

1. All of the respondents cited their passion for work and the desire to innovate and bring out new solutions to problems that led them to start their enterprises.
2. The need to create a cleaner and greener environment led to the establishment of Mascorbio Pvt. Ltd which is into the production of bio diesel.
3. The desire to be economically independent and at the same time be a 'job provider' to others, led to Brushstrokes being set up.
4. Zeusilious a company into assembling, supply and installation of solar panels in the State of Goa entered into this venture as an alternative to costly energy sources.
5. The desire to provide a platform and opportunity to learners to equip themselves with an employment skill, led to Infinity 3D entering the digital printing business and supplementing it with training creative talent across the state through practical training workshops.
6. The basic motive behind the setting up of Native Folks was to develop the hinterland for tourism and provide an opportunity to tourists to embrace the culture of rural India.

### D. Problems and Challenges Encountered

1. *Lack of Awareness*: One of the problems cited by the respondents was that people by and large in the state and out of it were not aware of the existence of these startups and the type of products and services they made available. Neither did the startups have the financial wherewithal to create massive publicity for their enterprises.
2. *Finance*: Most of the respondents were dependent on their own finances. Although they received seed funding from the CIBA, delay in receipt of the same was a lacuna.
3. *Availability of Raw-Material*: For these startups, availability of inputs was a problem. Furthermore, given the fact that their scale of operation was limited they could not avail the benefit of lowering costs accruing on account of bulk purchase of the raw-

materials. Procurement of quality raw-materials was also problematic.

4. *Premises*: Most of the startups operate from leased premises and this also enhances their costing.
5. *Lack of a Sustained Support Mechanism*: While the CIBA and other facilitators provide the necessary support at the time of incubation, sustained and continuous support is missing.
6. *Competition*: Like all other entrepreneurs, the startups in the study operate under conditions of risk and uncertainty. Competition from rivals entering the same space is another area of concern as it undermines the long term sustainability of the startup.
7. *Internship*: The startups are not in a position to employ personnel on a large scale as they lack financial capacity. They generally employ interns. However, employing interns is not an easy task due to the low remuneration that the startups offer.

## VI. CONCLUSION

In an environment of joblessness, the promotion of startups as a driver of employment and growth is vital. In Goa, a number of agencies both state and non-state players essay an important role in facilitating the transformation of creative ideas into business entities. Incubation, prototyping, seed funding and accelerator facilities are made available to entrepreneurs. However, there is lack of awareness about the same. The startups in Goa being relatively nascent in stage encounter many problems. There is a need therefore for generating awareness of the various facilities that are being offered to prospective entrepreneurs and initiation of measures to address the problems encountered by these startups.

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