

IMPORTANCE OF INCUBATION CENTRES WITH REFERENCE TO INDIAN STARTUP SCENARIO

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Abstract—In this era of budding startups, technology has a significant role. The development of incubation centers brings in boost to the emergence of startups. However, the concept of incubation centers is not much known to people. This paper focuses on the concept of incubation centers and how they have been affecting startups from across the world. This paper, also, elaborates about the presence of incubation centers in India. The main objective of this paper is to bring incubation centers to further notice.

Keywords—Incubation Centres; India; Start-Up; Business Incubators

1. INTRODUCTION

Business entrepreneurship is the art of organizing and managing an enterprise with the willingness to take initiatives and risks. Becoming an entrepreneur requires a lot of hard work and patience. Over the time, to ease the work burden for entrepreneurs, many support systems have been established by financial institutions to provide funding, expert assistances, and so on. One of them is business incubators. These incubation centers aim towards helping the startups in their survival and growth, especially during their vulnerable and early stages. There are many startups which take the help of incubation centers while there are many which do not. The concept emerged in the 1950's but was executed in the 1980's. Even now, they are still establishing. Incubation centers help in the development of an economy as they primarily focus on providing boost to entrepreneurial development which at the end also, significantly contributes to an economy.

2. INCUBATION CENTRES: OVERVIEW

Business incubators are the organizations which help in the growth and development of startups. They work as helping hand for the early stage companies by providing them necessary support, technical and financial services. They are designed to accelerate the success and growth of entrepreneurial companies through an array of various business support resources and services which may include factors like physical space, capital, common services, coaching, and networking connections. They are often a good path to capital from State government economic-development coalitions, angel investors, and other various investors.

The concept was formally introduced in the year 1969, in USA. Incubation then later expanded in the USA during 1980's and spread to the UK and Europe through several related forms like innovation centers, technopoles/science parks etc.

The business incubation programs are often sponsored by municipal entities or private companies, and public institutions like colleges and universities. The National Business Incubation Association has a total of 1900 members across 60 nations with 1400 members in the United States.

Business incubators provide various benefits to owners of startup businesses. They tend to provide office and manufacturing space at below market rates, help in formulating marketing plans, expert guidance in developing business, and helping to fund the developing business. Incubators provide immediate access to their facilities like legal structure and shareholders agreements along with providing mentoring. They help budding entrepreneurs get an insight to how a business properly functions. Incubators provide immediate access to a large number of former incubator bred entrepreneurs. The network of alumni helps in learning from their experiences and stories.

An average of two years is typically spent by companies, in a business incubator. During this period, they share telephone, production equipment expenses and secretarial office with other startup companies, in an effort to reduce everyone's operational costs.

There are various types of incubators like,

A. Virtual business incubator:

An online business incubator which allows the company to gather the advice of an incubator without actually being located at the incubator site.

B. Kitchen incubators:

These are also known as culinary incubator. This type of incubation centers is dedicated to early stage catering, retailing and wholesaling food businesses.

C. Public incubator:

They are meant to accelerate the development of ideas for the benefit of the public goods. They incorporate a process of measurement, citizenry, and refinement to culture community ideas.

D. Incubator startup studio:

It is also known as startup factory or startup foundry. These are the accelerators that get equity against a little of money and a lot of operational resources.

E. Manufacturing incubator:

They are the incubators which focus on the manufacturing sector.

F. Venture builder:

It is similar to incubator startup studio with the only difference being that, it builds the company internally.

Every incubator functions differently hence, the success rates for startup vary accordingly. Also the companies which had previously used the respective incubator will have their own experience to share. Also, too much mentoring and networking with entrepreneurs lead to chances of damaging the focus of the business during the early crucial stage. Incubators could be found through the search engine offered by the National Business Incubation Association. Incubations should be searched on the basis of the nature of business. Apart from the search engine provided by the National Business Incubation Association, state and local economic development departments and local SBA offices are good sources as well.

3. INCUBATION CENTRES AROUND THE WORLD**A. United States of America**

USA has witnessed rapid growth in the number of business incubators, from 100 in 1980's to 100 at present. It has the largest number of incubators in the world. They have been a pioneer in the industry since a very long time. Developing countries derive many practices from the American experience when it comes to developing incubators. There are some of the best US incubators which are university affiliated. Some of the best and popularly known incubators are Y Combinatory, Techstars, Dreamit Ventures, Angelpads, and Kicklabs.

B. India

India, amongst the developing countries, had an early start during the 1950's on building comprehensive state supported programs for small business support, entrepreneurship development, and scientific research. Three pilot Technology Based Incubators (TBI's) were launched in India during the late 1980's, with support from the UN fund for Science and Technology. Even though a good start was made on business plans, work space and training, the initial state for financial support to continue operations was insufficient. In current scenarios, full-fledged incubators are being established across the nation. The most successful incubators in India are Amity Innovation Incubator, AngelPrime, ICreate, and Indavest.

C. Brazil

The incubators in the country have positive impacts and outcomes. They are able to create sound opportunities for the enterprises with goal survival rates. They help the government in promoting technological development and reinforcing the culture of entrepreneurship and university research business cooperation. However, in the near future they may face challenges like enhancing the operational effectiveness through innovative activities and creative financing, in order to reduce the present dependence on state subsidies. Some popular incubation centers in Brazil are MG, Belo Horizonite, and ParqTec.

D. China

The country became a pioneer of International Business Incubation, in 1996, it aimed at facilitating foreign tech based businesses to enter the Chinese markets. They are now establishing incubators in Singapore, UK and Moscow to help its entrepreneurs move abroad. Strong government leadership played an important role in development of China's incubation systems. These incubators have also played a significant role in creating cultural change. They have been able to bridge the gap between government research and forecasting entrepreneurial attitudes, marketplace, and facilitating the re-entry of Chinese scholars abroad. They have brought learning opportunities for managers. It has led to rapid expansion. However, the focus on the 'hardware' aspects seem to lack in this program. The services being provided are typically not on a cost recovery basis, which limits quality and sustainability. Some of the popular incubation centers are Beijing Markspace, 3W Coffee, Kr Space, and Garage Café.

Among other Asian countries, Japan has about 200 incubators, while South Korea has 250 and Taiwan has 60.

4. GROWTH OF INCUBATION CENTRES IN INDIA

Since their emergence in the 1950s, business incubators have proliferated around the world, often supported by governments as a means of spurring economic development. In India, the Government's Department for Science and Technology (DST) first invested in Science and Technology Entrepreneurs Parks (STEPs) in the 1980s, and then from the early 2000s, in Technology Business Incubators (TBIs).¹⁸ DST has so far funded over 60 TBIs.¹⁹ Most are based within academic institutions, but some are public-private partnerships with other types of 'host' organizations, such as the Indian Angel Network. India also has a growing number of private incubators, set up by entrepreneurs, investor networks and corporations.

More recently, a subset of incubators focusing on social enterprise has started to develop; examples include Villgro and UnLtd India. But there are many Indian incubators that have a broader remit while also supporting impact enterprises. In practice, the distinction between social incubators in India and others is blurred - partly because social enterprise is also a vague concept.²⁰ For example, in 2013, just seven per cent of DST-funded STEP and TBI focused specifically on supporting social enterprises: Rural Technology and Business Incubator (RTBI) is a key example. Nevertheless, several had related interests - for example, a further six per cent focused on agribusiness, 13 per cent on cleantech and energy and 11 per cent on health.²¹ CIIE, based at IIM-Ahmedabad, falls into this category.

5. IMPACT OF INCUBATION CENTRES ON INDIAN START-UP SCENARIO

The number and range of incubators across India has grown rapidly over the last five years. There are government-funded university incubators focusing on commercializing researches like SID at IISc Bangalore, or evolving a culture of student entrepreneurship like SINE Bombay. There are commercial co-working spaces such as BHive in Bangalore, corporate incubation programs such as Reliance Gen Next and an emerging pool of investor-led accelerators such as Morpheus or Axilor, helping develop and exploit the rapidly growing startup communities of the entrepreneurial hubs. While startup sectors such as e-commerce are thriving, this has prompted few to question whether opportunities to further utilize some of this entrepreneurialism towards more explicitly social goals still exist.

Two excellent examples of the impact of business incubators on the Indian Start-up scenario include:

A. NASSCOM

NASSCOM has come up with this ambitious initiative named "10,000 Startups", which aims at scaling up the startup ecosystem in India by 10 times. The program is assisted by Google, Microsoft, Intel, Verisign, and Kotak.

10,000 Startups aims to enable incubation, support and funding for 10,000 startups in India over the period of next ten years.

The program has been able to successfully impact more than 150 technology startups, helping in raising of funds, acceptance into, found customers, acceleration programs, and on-boarded members through this initiative.

B. iSpirt

iSpirt refers to a think tank, that is dedicated towards promoting existing Indian software product companies. This is different from NASSCOM, which is a trading body and an industry association. They are now focusing at replicating the success of Silicon Valley in India and are being led by pioneers like Sharad Sharma.

6. CONCLUSION

Incubators are meant to ease the process of development for startups and help them achieve their objectives and function more efficiently. While USA is the largest hub for incubators, developing countries like India are not far behind as the concept is being gradually picked up there as well. China and other Asian countries have also seen the impact of incubators on culture and how it has helped in growth of the economy. Even though the awareness for incubators has significantly increased, it still has a long way to go as many countries are still not familiar with the concept.

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