

Role of Startups in Building Economy: A Study With Reference to Karnataka Region

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Abstract:

The present study is an effort to analyze the role of startups in contributing to economic development of Karnataka region. The study is primarily based on primary data and required data has been collected using structured questionnaire from the startup companies which are established between 2010-2017 in Karnataka region. A sample of 100 startup companies has been selected using simple random sampling. To determine the contribution of startups in economic development the authors have used ANOVA technique. The results of the study has proved to the fact that moderate number of startups are competitive in existing market and the job opportunities provided by the startup companies are increasing from time to time and these findings are confirming to the fact that startups in Karnataka are contributing to the development of the state.

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I. INTRODUCTION

Our Country needs 10 million jobs a year and worldwide data shows that it is not the large enterprises only the startups, create net new jobs in any country (Bhutia, 2016). Start-ups are established to play an important role generating employment opportunity thereby boosting economic development. Presently, our country is passing through a fundamental shift with entrepreneurship and innovation which in turn aids in job creation and resolving day after day problems. The position of the state in economic development had set in motion to change with the initiation of the Industrial revolution, consequently the recent market reforms encouraging individual enterprises have led to higher economic growth in the country. Building a startup ecosystem is a valuable method to support regional innovations and improvement of business environment along with securing growth of

domestic product and employment in the given country (Krajcik & Formanek, 2015). Further, the contribution of startups and youthful businesses to employment opportunities involves rich dynamics (Decker, Haltiwanger, Jarmin, & Miranda, 2014). Startups are also the heart of innovation and paves way to enhance employment creation in the economy (Bhutia, 2016). They can also contribute to economic dynamism by encouraging innovation and inoculating competition (Didar, 2016). Controversially, with 40-50 percent of startups dying within five years of their inception, it is a doubtful conclusion to assess the growth of economy on the basis of the number of startups (Tyagi, 2016). At this backdrop the present study is an attempt to comprehend how far the startup companies contribute to the economic development of Karnataka. As Karnataka is one of the major startup hubs in South India and it holds maximum number of startups in the country next to

Delhi and Mumbai, the present study has been conducted in Karnataka.

II. STATEMENT OF THE PROBLEM

Majority of the business startups exit within their first ten years, and most of the surviving young businesses do not nurture as expected but remain small and on the other hand a very small portion of young firms demonstrate preeminent growth and contribute substantially to job creation (Decker, Haltiwanger, Jarmin, & Miranda, 2014).

There has been very less number of research to show the continuity of job opportunities offered by the startups when they enter in to third or fourth year. Further startups are an important part of the economy but it's the "scale-ups" that actually have a important effect on the economy (Tyagi, 2016). At this backdrop, the present study is an attempt to determine the extent at which the startup companies have contributed to the economic development of Karnataka.

AIM OF THE STUDY

The main objective of the research is to determine the contribution of startup companies to the economic development of Karnataka.

RESEARCH METHODOLOGY

The present study is based on primary data and the required primary data has been collected from the startup companies which are established between 2010-2017. A sample of 100 startup companies has been selected using simple random sampling. The researchers have used structured questionnaire to decipher the information related to the role of startups in economic development of the state. The required data has been analyzed using SPSS. The researchers have considered the variables like status of job opportunities in the startup, status of profit, status of return on investment, status of sales turnover, contribution of startup to rural development and infrastructure development as the key determinants in the contribution of economic development of the state.

III. HYPOTHESES DEVELOPED

Null hypothesis(HN₁): There is no significant difference between the age of the founders of the startup companies and the startups' contribution to the economic development

Null hypothesis(HN₂): There is no significant difference between the age of the startup companies and its contribution to the economic development of the state.

Null hypothesis(HN₃): There is no significant difference between number of employees in the startup company and the startups' contribution to the economic development

IV. DATA ANALYSIS & INTERPRETATION

TABLE NUMBER 1: ROLE OF STARTUPS IN ESCALATING JOB OPPORTUNITIES

		Frequency	Valid percent	Cumulative percent
Valid i d	No Extent	6	6.0	6.0
	Less Extent	20	20.0	26.0
	Moderate Extent	51	51.0	77.0
	Large Extent	23	23.0	100.0
	Total	100	100.0	

TABLE NUMBER 2: ROLE OF STARTUPS IN DEVELOPING INFRASTRUCTURE

		Frequency	Valid percent	Cumulative percent
Valid i d	No Extent	17	17.0	17.0
	Less Extent	40	40.0	57.0
	Moderate Extent	31	31.0	88.0
	Large Extent	12	12.0	100.0
	Total	100	100.0	

TABLE NUMBER 3: ROLE OF STARTUPS IN PROVIDING SERVICE TO RURAL AREAS

		Frequency	Valid percent	Cumulative percent
Valid i d	No Extent	39	39.0	39.0
	Less Extent	27	27.0	66.0
	Moderate Extent	14	14.0	80.0
	Large Extent	20	20.0	100.0
	Total	100	100.0	

TABLE NUMBER 4: ROLE OF STARTUPS IN SCALING UP OF BUSINESS OPERATION

		Frequency	Valid percent	Cumulative percent
Valid i d	No Extent	4	4.0	4.0
	Less Extent	27	27.0	31.0
	Moderate Extent	48	48.0	79.0
	Large Extent	21	21.0	100.0
	Total	100	100.0	

TABLE NUMBER 5: STARTUPS SHOWING CONSISTENCY IN PROFIT

		Frequency	Valid percent	Cumulative percent
Valid i d	No Extent	10	10.0	10.0
	Less Extent	37	37.0	47.0
	Moderate Extent	42	42.0	89.0
	Large Extent	11	11.0	100.0
	Total	100	100.0	

TABLE NUMBER 6: STARTUPS SHOWING CONSISTENCY IN RETURN ON INVESTMENT

		Frequency	Valid percent	Cumulative percent
Valid i	No Extent	10	10.0	10.0
	Less Extent			

Valid i d	Less Extent	37	37.0	47.0
	Moderate Extent	45	45.0	92.0
	Large Extent	8	8.0	100.0
	Total	100	100.0	

TABLE NUMBER 7: STARTUPS SHOWING SUCCESSFUL SURVIVAL

		Frequency	Valid percent	Cumulative percent
Valid i d	No Extent	4	4.0	4.0
	Less Extent	17	17.0	21.0
	Moderate Extent	55	55.0	76.0
	Large Extent	24	24.0	100.0
	Total	100	100.0	

TABLE NUMBER 8: STARTUPS SHOWING COMPETITIVENESS IN EXISTING MARKET

		Frequency	Valid percent	Cumulative percent
Valid i d	No Extent	5	5.0	5.0
	Less Extent	8	8.0	13.0
	Moderate Extent	56	56.0	69.0
	Large Extent	31	31.0	100.0
	Total	100	100.0	

TABLE NUMBER 9: CONTRIBUTION IN INCREASING THE PER CAPITA INCOME

		Frequency	Valid percent	Cumulative percent
Valid i	No Extent	16	16.0	16.0
	Less Extent	24	24.0	40.0

d	Moderate Extent	47	47.0	87.0
	Large Extent	13	13.0	100.0
	Total	100	100.0	

TABLE NUMBER 10: ONE-WAY ANOVA: CONTRIBUTION OF STARTUPS TO ECONOMIC DEVELOPMENT AND AGE OF THE FOUNDER

Source	D F	Adj SS	Adj MS	F-Value	P-Value
age: founder	3	0.9903	0.3301	1.16	0.329
Error	96	27.2877	0.2842		
Total	99	28.2780			

It is very evident from above Table Number 10 that p value is >0.05 and hence the null hypothesis is accepted and there is no significant difference between the age of the founders of the startup company and the startups' contribution to the economic development

TABLE NUMBER 11: ONE-WAY ANOVA: CONTRIBUTION TO ECONOMIC DEVELOPMENT VERSUS AGE OF THE COMPANY

Source	D F	Adj SS	Adj MS	F-Value	P-Value
company age	5	2.726	0.5452	2.01	0.085
Error	94	25.552	0.2718		
Total	99	28.278			

It is very evident from above Table Number 11 that p value is >0.05 and hence the null hypothesis is accepted and there is no significant difference between the age of the company and the startups' contribution to the economic development.

TABLE NUMBER 12 :ONE-WAY ANOVA: CONTRIBUTION TO ECONOMIC DEVELOPMENT VERSUS NO EMPLOYEES IN STARTUP

Source	D F	Adj SS	Adj MS	F-Value	P-Value
No employees	3	1.796	0.5986	2.17	0.097
Error	96	26.482	0.2759		-
Total	99	28.278			

It is very evident from above Table Number 12 that p value is >0.05 and hence the null hypothesis is accepted and there is no significant difference between number of employees in the startup company and the startups' contribution to the economic development

V. IMPLICATIONS OF THE STUDY

The present study has successfully achieved an overall understanding about the startups in Karnataka region. The results of the study has proved to the fact that moderate number of start-ups is competitive in existing market and the job opportunities provided by the startup companies are increasing from time to time and these findings were validated by Naude (2008) where it was claimed in the study that entrepreneurship has a constructive impact on an economy in terms of job creation and in increasing competition.

Further, the results of the study has revealed that the factors like age of the company and number of employees in the firm doesnot show a significant relationship with the performance indicators like Consistency in profit, Consistency in Sales turnover and Consistency in return on investment. The findings of the study are synchronized with the study conducted by (Lussier and Corman, 1996) who have stated that younger the age more will be the risk of failure. The overall results of the study implies that the startups in the Karnataka region are reasonably contributing to the economic development of the state and based on the findings of the study, the researcher emphasizes that startups in the state have more potential and likelihood grow in future.

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