

ROLE OF BANKS IN STARTUP INDIA INITIATIVE

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Abstract

Banking sector of any economy plays an important role in its economic growth or development. It also plays important role in the growth of industries by providing financial help. The initiatives taken by Indian PM Narendra Modi like 'Make in India' and 'Startup India, Stand up India' has increased the role of banking sector for the growth of Startups in India by way of providing financial help or assistance. It helps in creating self employment opportunities and encourages the emerging entrepreneurs to exhibit their skills. The present paper focused on the role of banking in the growth of Startups in India. The main objective is to study various initiatives taken by the banks in promoting the growth of Startups in India.

Key words: Banking initiatives, Startup India, Entrepreneurship Development

1. Introduction

Banking sector plays an important role in the development of the industries in a country. Initially the main functions of the banks were to give loans and accept advances, but now the role has been increased with the advent of globalization. For a country to grow it is very important to have a balanced growth. For that purpose it is important that proper attention should be given to some priority sectors like Small Scale Enterprises (SSEs), MSMEs, marginal farmers and other weaker sections.

Startup India

Startup India initiative has been started by Prime Minister Narendra Modi on 15 August, 2015. The main aim is to provide financial support and incentives to emerging entrepreneurs in order to promote the growth of Startups. It also focused on eliminating various state restrictions or compliances like License Raj, Environmental Clearances, and land permissions etc.

MUDRA (Micro Units Development and Refinance Agency) Bank was developed by Government in order to provide micro finance to the MSMEs (Micro, Small, Medium Enterprises). Many other initiatives have been taken by the Government to promote Startups like launching of BHIM app to streamline the trading process etc. Similarly banks also have a important role in the growth of Startups. Through various initiatives banks can provide financial assistance to the Startups. Today many banks are taking initiatives for promoting Startups in India like SBI, HDFC etc.

2. Review of Literature

Andaleeb and Singh (2016) focused on the potential sources of finances for startups that are self financing, financing from friends, family, angel financing etc. Also startups always face risk thus those startups which overcome risks or challenges have potential to become successful.

Fintech report (2017) studied the growth of FinTech Startups in India. The results shows that there is enough potential in Indian entrepreneurs for the growth of FinTech Startups. For that

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purpose it is important to provide financial and technical help to them.

Dutta (2016) studied various policies made to support startups in India and also analysed problems faced by startup. Startups initiatives are creating more job opportunities. The Government has also streamlined the formalities required for startups.

Pytkowska et al (2017) studied importance of finance for the startups and role of microfinance institutions in Europe. Microfinance institutions are actively supporting the startups but the number of institutions which are fully dedicated to support startups are few in number.

Shetty et. Al (2018) coined that the duty of entrepreneurship financing and development is done by various agency among which banks plays an important role. So it is important that the banks should play active role in supporting Startups for their growth.

3. **Objectives of the Study**

- 1) To study the role of banks in the growth of Startups.
- 2) To investigate about various initiatives taken by Indian banks to promote Startups in India.
- 3) To know challenges faced by startups in raising finance from the banks.

4. **Research Methodology**

Qualitative approach has been used for achieving the purpose of the study. Contextual data has been collected through secondary sources which include published text, websites, periodicals, reports and other written information. Many research papers have been examined to find out the research trends.

5. **Elaborations and Discussions**

5.1 **Startup India and Role of Banks**

Banks have a major role in the growth of startups. The major source of finance for the new startups is basically banks, and they not only provides financial assistance but also various other advisory services. Thus banks help Startups in the following manner:

Financial Assistance-

It is done by providing short term and long term finance. Short term finance is required for day to day operations like procurement of raw materials etc. Long term is required for the procurement of fixed assets like machinery, building etc. Finance is also required for expansion or diversification of the business.

Advisory Support-

Banks also provide advisory services to the companies. They provide advices relating to various areas like managing funds, investment decision making, risk management policies, asset allocation strategies, and other consultancy services. It helps the company to have optimum utilization of the finance to ensure no misuse of funds.

Investment Banking-

It is a type of financial service which is performed by the banks on the behalf of companies, individuals and government. Banks act as intermediary and helps in the issuing and selling of the securities. They also provide underwriting services in case of under subscription.

5.2 Startup Initiatives by Banks:

Many private banks like HDFC, Kotak Mahindra Bank, Axis Bank, Yes Bank and IDFC have started providing short term finance for fulfilling the working capital needs of Flipkart, Zinka, OYO Rooms, Power2SME, Ola etc

SBI Initiatives

- a) IT –ISEP (IT Innovation Start- up Engagement Program) has been introduced by SBI for Startups which have following objectives
 - To have a better understanding of startups
 - To encourage young entrepreneurs to use talents by providing technology to industry and nation as a whole
 - To encourage IT startups for developing product and services for the banks to achieve the motive of 'Digital India'
- b) SBI InCube branch has been introduced by SBI which cater to the banking needs of the startups.
 - It have trained relationship management which provide banking related services to startups
 - Provide advisory services relating to taxation, managing receivables, investment decisions, forex transactions etc.
 - Also provide mobile or net banking services for convenience

Syndicate Bank Initiatives

- a) Syndicate Laghu Udhyaami Credit Card (SLUCC) scheme cater the credit needs of the retail traders, small business, artisans, self-employed persons and village industries.
- b) Synd Small credit introduced to meet the credit needs of micro and small enterprises who are engaged in retail trade, artisan work, handicraft etc.
- c) Others scheme like Synd udyog, Synd Vyapar, Synd Swarozgar Credit Card Scheme has also been launched to provide credit to startups.

HDFC Bank Initiatives

- a) SmartUp scheme has been launched by the HDFC bank in order to help the startups. Its main motive is to provide faster and smoothing financial services to the startups. For that purpose bank has bank's staff has been specially trained in order to provide customize advisory and banking services to the entrepreneurs. SmartUp Zones has been made in the 65 branches in 30 cities of India which take care of this scheme.
- b) HDFC has also introduced 'Industry Academia' under which training relating to startups in the entrepreneurship cells of institutions like IIT Roorkee, IIT Mumbai and IIM Ahmedabad.
- c) HDFC bank has entered into the partnership with the Rajasthan Government in order to in order to promote Startups in the state under the SmartUp programme. For this Memorandum of Understanding (MoU) has been signed between Smita Bhagat (Branch Head) and Akhil Arora (principal Secretary, IT and Communication, Rajasthan).

Small Industries Development Bank of India (SIDBI)

SIDBI perform various functions in order to support small entrepreneurs like providing funds, helping in the marketing of the goods etc. Some schemes like SIDBI Startup Mitra, Smallb has launched to provide support to the Startups.

ICICI Bank Initiatives

ICICI bank has launched 'iStartup' for providing financial help to the startups. ICICI has also set aside ₹ 100 crores for doing investment in Startups.

Similarly various other banks too have taken Startup initiatives.

5.2 Some challenges faced by Startups in raising finance

- 1) Lack of collateral to be given as security for raising loans from the banks is the major problem faced by small entrepreneurs.
- 2) Access to limited finance only in the initial stage of startup as the banks have less information about the creditworthiness of the new entrepreneurs.
- 3) Lack of awareness among people relating to the various initiatives or schemes of the Government, RBI, and other banks for the growth of Startups
- 4) Lack of proper infrastructure for internet connectivity especially in rural areas or backward areas creates hindrance for the local entrepreneurs to avail online banking services which can save time and cost.
- 5) Sometimes the cumbersome formalities relating to raising of finance also create challenge for the new entrepreneurs.
- 6) In case in a particular region banks face the problems of bad debts or non repayment of loans then they are reluctant to provide further finance to those located in that region.

6. Conclusions

Startup India initiative is a great initiative for the development of entrepreneurship and that would lead to development of an economy. The Government of India has taken various initiatives to promote Startups. Banks too have a major role in the growth of Startups, as along with financial assistance they also provide other services like advisory services, investment banking etc. Indian banks have taken many startup initiatives which have contributed towards the development of entrepreneurship in India.

Still there are some challenges which are faced by startups in India like lack of security to be given as collateral, lack of awareness about various policies etc. which has to be solved by the Government and financial institutions to encourage the growth of Startups in India. Banks should continue to take initiatives to support Startups and should also create awareness for the same especially in rural or remote areas where there are small traders, marginal farmers, retail

traders etc. The steps should also be taken to streamline the procedure of raising finance from the banks to make them for convenient for the new or emerging entrepreneurs.

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