



# Promotion and Development of “Start-ups” Through Corporate Social Responsibility Initiatives in India

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## **Authors' contributions**

*This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.*

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## **ABSTRACT**

Indian economy is a fifth largest developing economy. It has been grown in between the periods of time (1991 – 2016) India's GDP stood at Rs 5,862,120 million in 1991 and in 2016 it was at Rs 1,35,760,860 million economy with 2, 216 percent growth. At the same time, global disparities are growing with industrially and technologically more advanced countries by accessing the ever increased digital technologies, online platforms, data analytics, automation and robotics and capitalizing the globalized opportunities. Hence, as a second highly populated country like India should access the technologies to promote various start-ups in to globalized established corporations for economic development and to be the second largest economy in the world by 2050. The start-ups support and help to absorb productive resources at all levels of the economy. It contributes to the creation of resilient economic systems in which start-ups ecosystems and small and large firms are interlinked. Such increasing linkages support, attract foreign direct investment

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and investing transnational corporations seek reliable domestic suppliers for their supply chains. In agriculture and allied sector start-ups also have a potential to empower millions of farmers and farm women to address the food and nutrition security, livelihood security and other sustainable development goals. But still funding activities are the biggest driving factors in the start-up ecosystem. Hence, appropriate funds and other assistance may enrich the start-up ecosystem to boost up the Indian economy in the globalized platforms. So, the CSR funds plays very important source to capitalize the start-up ecosystem in to sustainable development based economic ecosystems.

*Keywords: CSR; sustainable development; industries.*

## 1. INTRODUCTION

Indian economy is a fifth largest developing economy. The process of globalization has accentuated and support equitably sharing the benefits of international investment, trade, growth and development in the relationship between business and society [1]. In between the periods of time (1991 – 2016) India's GDP stood at Rs 5,86,212 crore in 1991 and in 2016 it was at Rs 1,35,76,086 crore economy with 2, 216 percent growth. At the same time, global disparities are growing with industrially and technologically more advanced countries in the past twenty-five years [2]. The key drivers of this change have been the globalization of trade, the increased size and influence of companies and the rise in strategic importance of stakeholder relationships, knowledge and brand reputation [3]. In the changing paradigm, India is tipped to be the second largest economy in the world by 2050. Hence, it is possible by the Indian start-ups led globalized production and services. It plays a key to transit traditional agriculture in to innovative agricultural enterprise -led industrial economies in to globalized service oriented economy. The ever increased digital technologies, online platforms, data analytics, automation and robotics provide globalized opportunities to source out several modern innovations [4].

In this juncture, the corporate companies are commercial business organizations focuses on economic parameters of success to cater the market demand by providing products and services. It can create wealth and jobs, etc. The recent consequence of rising globalisation and pressing ecological issues, the role of corporates' highlighted in broader responsibility towards society and environment, beyond economic performance with ethical and socially responsible manner [5].

As a result of this shift (from purely economic to 'economic with an added social dimension') many forums, institutions and corporates are approving the term Corporate Social Responsibility (CSR). CSR can be best agreed by three words: 'corporate,' 'social,' and 'responsibility'. The CSR is emerging as a global business effort towards reinforcing CSR programmes and initiatives through local and international schemes that try to identify various socially responsible business [6]. The Corporate Social Responsibilities (CSR) is defined in terms of the responsiveness of businesses to stakeholders' legal, ethical, social and environmental effectiveness. The major objective of CSR is to maximize the company's overall impact on the society and stakeholders. The CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes [7]. Hence, the CSR is not just another form of indirect expense. In the background, the study takes how CSR step further and looks into the positive implications of start-ups led economic development in India.

### 1.1 "Start-ups"

The start-ups are young companies or ventures founded by one or more entrepreneurs to advance a unique product or service and get it to market. Hence, the start-ups should prove their own strength in terms of socio-economic impacts to capture the potential lenders and investors. The Start-ups ventures have little or no revenue in the early stage of establishment or venturing. At the beginning stage, the start-up ideas are seed and incubatory growth stage only. The young start-ups can mobilize considerable money through small business loans from banks or credit unions, government-sponsored Small Business Administration loans from local banks, and grants made by non-profit organizations, state governments and Venture capitalists and

angel investors for long term sustainability of the business from start-ups to larger global corporations [8]. The Start-ups have calculative risky propositions to succeed as a leading global corporates like like Microsoft (founded by Bill Gates), McDonald's (founded by Ray Kroc) and Ford Motors (founded by Henry Ford).

### **1.2 Start-ups for Indian Economic Development**

The Indian government defines a start-up as an entity not older than seven years young with an annual turnover of less than 250 million rupees and headquartered in India. At present, India has the 3<sup>rd</sup> largest start-up ecosystem in the world. India has about 50,000 start-ups in India in 2018 and every year, it is growing with the annual growth rate of 12-15%. These start-ups in the country have been able to create an estimated 40,000 new jobs over the few years and overall it provided 1.6-1.7 lakh job opportunities. In India, around 9,300 numbers of tech start-ups are there. These tech start-ups have raised \$14.5 billion in the year 2019. They have surpassed their previous record of \$10.6 billion in 2018 (Tracxn). Bangalore has been listed the world's 20 leading start-up cities in 2019 and number 1 start-up hub in India [9].

The young entrepreneurs are dominating the start-up landscape with a larger percent of founders in the age of less than 36 years. Women entrepreneurs have started becoming more prominent in the innovation led economy. The funding activities are the biggest driving factors in start-up ecosystem [10]. The average valuation of an Indian start-up is \$2.3 million as compared to \$4.2 million of an American one. Apart from findings, start-ups also require support for technology acquisition, customer acquisition, market consolidation and sustainability [11]. Hence, appropriate funds and other assistance may enrich the start-up ecosystem to boost up the Indian economy in the globalized platforms. In this regards, the CSR fund plays very important source to capitalize the start-up ecosystem in to sustainable development based economic ecosystems.

### **1.3 Paradigm shift of Corporate Social Responsibility in India**

In India, till 1990s, the traditional Indian corporates considered CSR activities majorly dominated by the idea of philanthropy and after

the implementation of economic policy of Liberalisation, Privatisation and Globalisation models. Over periods, companies considered the effectiveness and efficacy of the CSR financial grants and often restricted themselves to give one-time financial grant and did not commit their resources for such philanthropic projects [12]. Hence, in the changing paradigm, the corporates considered their businesses and kept the stakeholder in mind while planning for such initiatives to enhance the efficacy and efficiency of CSR initiatives [13]. Hence, the CSR also, evolved from simple philanthropic activities to ethical, legal and economic responsibilities with different dimensions.

At the same time, to regularize CSR activities, India is the first country in the world to make corporate social responsibility (CSR) mandatory, in an amendment to the Companies Act, 2013 in April 2014. In the Section 135 of the Companies Act introduces mandatory Corporate social responsibility (CSR) contributions for large companies. According to the bill, all companies with net worth above 5 billion rupees or ₹5 billion (approx. \$75 million), turnover over 10 billion rupees or \$10 billion (approx. \$150 million), or net profit over 50 million rupees or ₹50 million (approx. \$750,000) are required to spend at least 2% of their annual net profits of the preceding year. In India the CSR should slowly move away from charity and dependence and start to build up empowerment and partnership.

Presently, corporates are spending their CSR resources to impact oriented works of UN to establish a plan to achieve 17 Sustainable Development Goals (SDGs) by the year 2030, particularly ending poverty and hunger, providing global access to quality education, promoting health and well-being, taking climate action, reducing inequalities, building public-private partnerships to reach these goals. Synergistic Approach need to be built in the Corporate Social Responsibility strategies to solve the core business relevant social problems [14]. The CSR also support economic development through socially beneficial start-ups and social enterprises [15]. Hence, the CSR activities of each and every corporate are monitored and evaluated for their effectiveness and performance adverse effect to the social impact of the particular year.

#### **1.4 Development of start-ups Through Corporate Social Responsibility funds**

The CSR has gone through many phases in India. It moved on from paternalistic philanthropy to a re-examination of roles, rights and responsibilities of business to address social issues. So, the CSR strategies have better opportunities to earn good name in global economy through CSR led start-ups sustainable development process. The start-ups support and help to utilize productive resources at all levels of the economy. They contribute to the creation of resilient economic systems in which start-ups ecosystems of small and large firms are interlinked [16].

The ministry of Finance and corporate affairs were allowed to spend corporate social responsibility for a Government-sponsored incubators, state government supported incubators or even those supported by public sector undertakings (PSUs), autonomous bodies based start-ups. It also allowed the CSR expenditure to spend research funding in science, technology, engineering and medicine under publicly funded universities, Indian Institutes of Technology and national laboratories also considered and counted as part of mandatory CSR activities. The leading Indian corporates of Tata Motors, Castrol, Mahindra Finance, Bajaj Electricals and the SAP are spending through government – affiliated incubators as a part of mandatory corporate social responsibility spending can generate higher returns on lower investments to establish new start-ups and MSME units for broader impacts [17]. It also provides various innovative ideas and research findings to the existing academic knowledge.

In India, at present, 12 Corporate companies are spending CSR money in incubators at the Indian Institute of Technologies and Indian Institute of Managements to enhance student start-ups in creating new business models for creative and globalized socio-economic impact to support start-ups, more companies are involved in partnership with government-run incubators. The SAP, Bajaj Electricals, Castrol and Tata Motors supporting the incubation of start-ups through the government supported centres of the Society for Innovation and Entrepreneurship at IIT Bombay Indian School of Business, Hyderabad based government approved not only for profit organization start up incubator centre in the Centre for Innovation, Incubation and

Entrepreneurship (CIIE) at IIM Ahmedabad, Incubation centre at IIT Gandhinagar, Incubation centre at IIM Bangalore and Incubation centre at IISc but also to create investable, scalable, growth-oriented social enterprises to uplift huge Indian and international poor masses of socially and economically backward backgrounds. It also supports seed money, acceleration and capacity-building activities to various need based social entrepreneurial activities [18]. It is also a great way to create a vibrant economic environment in India to become a global start-ups hub for establishing and accelerating the globalized industrial production process and service opportunities rooted with Indian values.

#### **1.5 Corporate Social Responsibility funds for Agricultural Start-ups**

Recently, Agricultural technology led Information and Communication Technology based start-ups emerged in various subfields of Agriculture and allied sectors. The Indian agritech start-ups have the potential to empower millions of farmers and farm women to address the food and nutrition security, livelihood security and other sustainable development goals. At present the innovative technologies of artificial intelligence, mobile based information system delivery, geographical information system based precision farming technologies, web based portals supporting to increase crop yield and eliminate the middlemen to convert the farmers into the farm entrepreneurs. Hence, in India; it has an opportunity to convert the largest unorganized and poor technology led private sector agriculture into the organized profitable technology cooperative and farmer led collective farming systems based enterprises that supports the fastest growing Indian economy thereby empowering the farmers to entrepreneurship [19].

## **2. CASES**

1. "De Haat" is one of the online based agricultural platform for marketing inputs start up that works for the rural farmer communities in Bihar, Uttar Pradesh and Jharkhand to secure seeds, fertilizers and agri-input products distribution systems with appropriate agro information and advice delivery mechanism. It is currently helping for more than 210,000 farmers in the respective region. The startup is using a comprehensive databases and

collaborating with emerging market players of 200 institutions on e-commerce platform.s

2. Unnati- a farmer producer organisations based start-up supported by NABARD works towards changing farmers into entrepreneurs. The digital based credit services, supporting to buy raw materials directly from producers rather than going to middlemen. It also created tie-ups with retailers, food processors through a digital card. It provides the access to knowledge and information services [20].

The agricultural start-ups have high demand to convert the traditional agriculture to modern information system based agricultural enterprises to address the global demands with recommended exportable standards for accessing the Foreign Direct Investments and foreign exchange reserves. For this initial seed, grants or financial supports through venture capital funds are needed. At the same time the success percentage of the start-ups sustainability and its conversion into a corporate also very less in percentages in revenue generating industrial and service sectors. So, in agricultural sector, the risk is higher. Though, public sector banks and other organizations are supporting well but, if the CSR fund availability addresses effective agricultural corporate ecosystems, it leads to overall sustainability.

### 3. CONCLUSION

The Indian start-ups are key to the transition of traditional agriculture-led economy in to innovative globalized industrial and service oriented economies in coming decades. Start-ups support and help to absorb productive resources at all levels of the economy. They contribute to the creation of resilient economic systems in which start-ups ecosystems of small and large firms are interlinked. Such increasing linkages support, attract foreign direct investment and investing transnational corporations seek reliable domestic suppliers for their supply chains. But still funding activities are the biggest driving factors in the start-up ecosystem. The average valuation of an Indian start-up is \$2.3 million as compared to \$4.2 million of an American one. Apart from funding, the start-ups also require support for Technology acquisition, customer acquisition and market consolidation for their sustainability. Hence, appropriate funds and other assistance may enrich the start-up ecosystem to boost up the Indian economy in the

globalized platforms. In agriculture also, the CSR funds have very important role to capitalize the agritech start-up ecosystems for sustainable development.

### COMPETING INTERESTS

Authors have declared that no competing interests exist.

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