

Startup Culture in Kerala: Opportunities and Challenges

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Abstract

Background of the study: Kerala has always been a forerunner when it comes to promoting entrepreneurship. The latest form of entrepreneurship in business world is startups. Kerala, under the guidance of nodal agency Kerala Startup Mission is taking every step for promoting entrepreneurial culture within the state. Kerala is the first digital state in the country and also the first state to have a technology startup policy of its own. The startup development programmes within the state starts from schools and are taken forward to college levels. Even the government of Kerala has taken many steps for ensuring the growth of startup environment within the state. Despite all these attempts still there are many who are not aware about the possibilities of growth and development for startups in the state and there are startups who wind up due to lack of proper support. *Objectives:* The objective of this article is to provide a better knowledge regarding the startup culture in Kerala along with the steps taken by the government for promoting the startup culture. The opportunities available to startups and possible difficulties faced by them in Kerala will also be discussed. The article aims to analyse Kerala as a startup hub so as to understand the different dimensions of the startup development within the state. *Methods/Contents:* The study is conducted during the period of August-September 2018 and it is based on secondary data collected. The content of the article will be included in nine different heads. *Results and Discussions:* The article will discuss the startup culture of Kerala in detail including the startup history of Kerala, role of Kerala Startup Mission, accelerators and incubators functioning in the state, Startup landscape in Kerala, measures taken by government for the development of startups, various opportunities for startups in Kerala and possible difficulties to be faced by them. *Conclusion and Recommendations:* It concluded that the startup culture in Kerala is developed enough for supporting the growth of startups within the state and government also have sufficient measures to ensure the development of these startups. But still there are many issues that startups are facing within the state. Hence it is recommended that government itself has to conduct a detailed study regarding the problems faced by startups and take necessary actions to support them

Keywords: Challenges; Entrepreneurship; Government measures; Kerala Startup Mission; Opportunities; Startups; Startup culture.

Introduction

Since the formation of Thiruvananthapuram Techno Park in 1990, the largest techno park in Asia (in terms of area development), Kerala has always aimed to take a lead in terms of entrepreneurship and technology. Today Techno Park has successfully flourished into Kerala Startup Mission which is the

nodal agency for the development of startups in the state. In past 3-4 years there have been a sudden growth number of startups in the state. More young minds are coming up with innovative ideas and it becomes the responsibility of the state to support such ideas. Kerala has a huge network of schools, colleges, universities and research centres so it is every easy to support the efforts of these young minds. Kerala is the first state to have technology startup policy (2014) of its own for promoting the growth of technology startups. For supporting the startup culture within the state government of Kerala has taken different measures with the help of Kerala Startup Mission and the result is a well-developed startup ecosystem within the state.

All these facilities and opportunities are wasted if they are not properly utilised. Even today there are many startups which fail because they couldn't

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manage to get the needed assistance. So along with all the given opportunities there are still many challenges faced by the startups within the state. This article is an attempt to give an insight towards the startup culture in Kerala and the various steps taken by the government for supporting the efforts of startup owners along with the problems faced by the startups in the state. This study intends to give a wide picture of the entire startup development scenario in Kerala.

Significance of the study

Startups have changed the outlook of doing business globally. Starting something at a small scale with an innovative idea was always risky because chances of failure is high. But still this format of doing business got the global attention and many companies who started out as startups turned into multinational companies (e.g.: paypal, uber). Innovation is what mattered the most and a strong support from the part of government was also essential. Many people with innovative ideas find it hard to execute them because they still don't know where to approach. The main reason is that the knowledge about startups is limited among few. Educational and research institutions are yet to introduce startups as a part of their curriculum. It is important to part maximum knowledge about startups through different medium. In Kerala maximum efforts are taken by Kerala Startup Mission to give away all the needed information to the potential entrepreneurs. Still many are ignorant regarding all these efforts. The Kerala startup culture needs to be studied and explored more because only in that way the potential opportunities and possible challenges of doing startup business in Kerala can be made aware to large part of population. This study is considered to be relevant in that context.

Objectives of the study

Objectives of the study are as follows:

- To understand the startup culture in Kerala.
- To identify the measures taken by the government of Kerala for supporting startups and their development.
- To describe the opportunities for startups in the state.
- To evaluate the challenges faced by the startups.

Research Methodology

The study is done during the period of August-September 2018 and it is based on data collected from secondary sources like books, journals, magazines, websites, reports etc.

Startup Culture in Kerala

Kerala has a startup culture which encourages the young minds to develop their ideas and execute them with necessary support. The startup culture of Kerala promotes the idea that there are no failed entrepreneurs but there can only be failed enterprises. Failure is considered as the starting step towards success. Failure teaches an entrepreneur where he went wrong with his venture and how the same mistake cannot be repeated in his upcoming project. The idea is to develop entrepreneurial skills among students from school level itself. Organising awareness programs and events within the educational institutions help to bring out the innovative skills in the students. Incubators functioning in different educational institutions within the state provide all the necessary facilities for the students and other entrepreneurs to put their idea into action and support them until these startups are on their own. With the help of large network of educational institutions in the state imparting knowledge about startups is an easy work done. Bringing out the innovative skills in the young minds has always been the focus point of Kerala's startup culture and for that it was important to ensure a very well developed startup ecosystem in the state.

It is difficult to trace back the exact history of startups in Kerala due to lack of data but it can be understood that since 2002 efforts are taken by the government of Kerala to promote the startup culture in the state through Techno park, Thiruvananthapuram. In 2006 Technopark was converted into Technopark- Technology Business Incubator (T-TBI), an independent society which functions with the support of government for looking after the startup growth and providing incubation to startups. MobMe Wireless, a startup launched 2006 by T-TBI was the starting step taken towards the incubation of startups in Kerala. Later in 2012 T-TBI became the nodal agency for the development of startups in the state and it was rebranded to Kerala Startup Mission in 2015.

Kerala Startup Mission (KSUM)

In order to ensure the growth of entrepreneurship and startups in Kerala first and foremost it was important to build a sound and efficient startup ecosystem. A proper nodal agency was essential to guide and control the startup development in the state and that is how Kerala Startup Mission came into picture. As a nodal agency the important functions of Kerala Startup Mission are as follows:

- To plan, manage and establish technology business incubators in Kerala and promote technology related entrepreneurial activities
- To attract local entrepreneurs as well as non-resident entrepreneurs and high technology companies to the state
- To take initiatives in assisting innovation promotion
- To accelerate the up gradation of research and development facilities with educational institutions
- To support the established technology business units to encourage innovation and new products
- To build various models for entrepreneurial development throughout Kerala
- To organise faculty development programmes for the management and technology faculties in different institutions
- To plan and implement networking between the Arts and Science colleges, Engineering colleges, Management colleges and other educational institutions for promoting technical education in the state
- To promote the knowledge and technology based startups developed by student, faculties and other professionals

Along with the above functions there are lot of other activities undertaken by KSUM for promoting startup development in the state. All these efforts to spread knowledge on startups and entrepreneurship starts from school and is taken further to college level. Some of them are:

- **Learn to code:** This program is also known as Raspberry Pi Programme. Here thousands of minicomputers are given to kids in different government schools so that kids can be trained with coding and other innovative skills. The project office of IT @school, government of Kerala has the responsibility of training the students.

- **Electronics@school :** The programme is arranged in association with KSUM and IT@ school. The objective of the programme is to start electronics corners in the school so that students can get more knowledge and experience in electronics.
- **IEDCs:** Innovation Entrepreneurship Development Centre (IEDCs) is as startup bootcamp programme organised by KSUM where college students will be directly engaged with organising the programme. The target audience of the programme are student and faculties from different colleges. The programme includes many entrepreneurial development activities. Building a startup ecosystem through young college students is the intention behind this programme.
- **Startup Box:** Startup Box is an initiative from the part of government to provide a startup box with High-end computer, Smart phone, Maker Kit, Internet Dongle, ebook reader etc. to 50 selected teams through IEDCs programme.
- **Fab Labs:** For encouraging startups in printed electronic and related fields KSUM has associated with Centre for Bits and Atoms, MIT Fab Lab Foundation, USA to form fabrication laboratories in the State. Currently Fab Labs are established in Trivandrum and Kochi.

Accelerators and Incubators

Accelerators and Incubators are the backbone for any startup ecosystem. Accelerators are organizations that offer a range of support services and funding opportunities for startups. Accelerators operate on a set timeframe, which usually lasts three to four months. During this period, startups build out their business with the support of mentors and capital provided by the accelerator. Whereas a business incubator is an organisation that provides a wide range of resources to startups and early-stage businesses. These can range from office space to events and access to investors. They focus more on the longevity of a startup and are less concerned with how quickly the company grows. Incubators may even mentor startups for more than a year and a half.

Kerala has three accelerators and around seventeen incubators functioning on the different part of the state as separate organisations and

also as a part of various educational or research institutions. The list is as follows:

Accelerators	Kerala Start-up Mission, Thiruvananthapuram (Key Accelerator) Technology Innovation Zone, KINFRA Hi-Tech Park, Kochi UL Cyberpark, Calicut
Incubators	Maker Village, Kochi NRI-TBI, Infopark, Kochi Biotech Incubation Centre (BTIC), Kochi SCTIMST-TIMed, TVM Start-up Dreams, TVM NASSCOM Warehouse, Kochi Info park BIC, Kochi NIT TBI, Calicut BIC Kannur CITTIC CUSAT, Kochi KSIDC BIC, Kochi GECBH TBI, TVM IAMAI-Mobile 10x, Calicut IIMK Live, Calicut CET TBI, TVM Startups Valley, Kottayam Women Business Incubator, TVM

Kerala's technology startup landscape

The startup landscape of Kerala consists of technology and non-technology startups. But the focus is mostly on the technology startups and you can hardly find any information about the non-technology startups functioning in the state. There are more than 750 technology startups in Kerala where 51% of these startups belong to IT/Software sector. There are 7.79% of startups in health and 7.27% startups in retail. Game, auto and agro are the sectors with lowest number of startups. Eranankulam is the district with most number of technology startups in the state, with registered 414 startups followed by Thiruvananthapuram with 134 registered startups. 96% of technology startup founders in Kerala are men and only 4% are women.

Government measures for developing startup culture

A well-developed startup ecosystem can be achieved only with the proper initiative and support from the part of the government. Kerala is the most

literate state in India with a population of average age 31. There is an abundant resource of educated youth in the state. The efforts of the government have always been to utilise this young population and their talent. From the establishment of techno park to making Kerala the first digital state with a technology startup policy of its own, government of Kerala has always tried to set an example for other state governments. It was also noticed that a good number of young talents were migrating from the state to other parts of the country and even outside the country because sufficient facilities were not available in the state for the development of entrepreneurship and startups. So in order to retain these young minds and for the economic development of the state following measures were adopted by the state government.

- Kerala government has earmarked 1% of the State's annual budget for entrepreneurship development activities. Kerala is the first and only state in the country to do so.
- Government of Kerala introduced Kerala Technology Startup Policy 2014 with the intention for bringing a proper formulated policy for the growth of technology startup sector in Kerala. This policy formulation is a part of government step to build a startup ecosystem where young entrepreneurs can flourish. Vision of the policy is to emerge Kerala as the number one startup destination in India and among top five startup ecosystem in the world. Further the policy has 8 objectives and is divided into 9 portions such as creation of infrastructure, Incubators and Accelerators, Human Capital Development, Startup Funding, State Support, Governance of Policy, Public Private Partnership, Scaling Existing and Establishing New Incubators and Establishment of Startup-Bootup-Scaleup model for technology startups.
- Since the formation of Kerala Startup Mission in 2015 all the government activities to support the development of Kerala startup ecosystem is done through KSUM.
- Government provides grant up to Rs.2 lakh for innovative startup ideas for startups which are registered with Kerala Startup Mission. Government also provides seeding funding or pre-commercialisation funds to startups in KSUM. KSIDC and KFC provide early stage funding to startups either up to Rs.25 lakh or 90% of initial cost

whichever is less.

- Government helps the startups to find market for their product and also initiate arrangements to help the entrepreneurs in giving a demo of their product. Kerala also helps in capacity building and international exposure of the startups by taking selected startups to Silicon Valley visit. Sufficient infrastructure support is also provided by the government for increasing the scale of startups.
- Government of Kerala has also established Kerala Technology Innovation Zone, Kochi, a global innovation incubator hub for technology startups. They provide infrastructure facilities and support to technology startups.

Above mentioned is only a summary of steps taken by the government of Kerala apart from this government is included in many plans along with KSUM for the development of a startup ecosystem.

Opportunities for startups in Kerala

Kerala is the first state in India where all villages are connected to broadband through National Optical Fibre Network (NOFN) programme. We have high rate of literacy and State Innovation Index of 36.36 (2017) ranking 5th among high income states. All the measures taken by the government till date have contributed to the building of an economy which promotes entrepreneurship. So the major points regarding the opportunities for startups in Kerala are as below:

Supportive government policy

Government steps for supporting the development of a talented bunch of youth starts from school level itself. The IT mission of the states makes sure that every child in the state gets computer knowledge. The syllabus and study materials in schools are planned in such a way that entrepreneurial talent of the children can be brought out in their young age itself. Through their various policies government has always made it a point that the youth of the state will get a chance to succeed in their entrepreneurial attempts in the state itself rather than having to go outside the state for it.

Presence of Kerala Startup Mission

Kerala Startup Mission is the nodal agency formed by the government of Kerala to support

the growth of startups in the country. KSUM looks after the incubation of startups in the state and coordinates them. Many Indian states don't have a nodal agency like KSUM. This is a blessing for the young entrepreneurs in the state that they will definitely get the needed mentoring and support.

Well-developed startup ecosystem

Kerala has a well-developed startup ecosystem with accelerators, incubators, technodges, co working spaces, educational institutions, research institutions, government support, traditional organisations etc. For any startup to flourish it is important that there is a very well structured startup ecosystem and Kerala definitely has it.

High rate of literacy in the state

Kerala has a highly educated population who keep themselves updated with the recent changes in economy. When the target customers are literate it becomes easy to convince them regarding the benefits of your product. When demonetisation came many in Kerala shifted to the use of payment apps like Paytm for trading and money transfer which they had never used till then. This shows the mentality of the Kerala population to accept changes.

High rate of mobile and internet usage

Today everything can be done through smart phones and different applications which has become an integral part of smart phone user's daily life. Kerala is the number state in India with mobile penetration of 65% in the population and there is 100% internet connectivity in the state. This makes it easy for the startups to communicate to the target customers through social media and other platforms. This also indicates that Kerala has a tech savvy population which embraces technology changes easily.

Challenges for startups

Even after all the steps taken by the government of Kerala there are still startups which fail due to the lack of needed support. There are still many things which stand as a hurdle for the startup growth in Kerala. They can be explained as follows:

Mentoring Issues

There are many startups which close down because they didn't get the needed mentoring.

Every accelerator and incubator in the state has their own selection process for choosing the startups they will mentor. Startups may not find the mentoring much useful if the incubators themselves don't take much interest in the project. There have been cases where startups are left disappointed.

Lack of funds

Even though there are many ways for arranging funds still there are startups who find it hard to convince the investors to invest in their project. Starting a startup business is risky because there is no guarantee of success and that makes it harder to get funds for startups even today.

Poor infrastructure facilities

Startups require proper infrastructure facilities to function. This is mainly provided through incubators or co working spaces which can be used by startups on rent. But a startup on its initial phase will not have money to spend on infrastructure and lack of proper facilities also become a reason why startups will have to wrap up early.

Lack of awareness

Despite all the facilities available in the state many entrepreneurs still don't know where to approach. There are many who are actually unaware of the various possibilities of growth and development in the state. Due to lack of awareness many don't come forward with their ideas.

Low returns

In case of startups there is no guarantee of success hence there is no guarantee that one can make profit. Many startups lose down because they couldn't make enough profit. Lower return compared to the investment is a major problem faced by startups because it indicates that startups businesses are difficult to flourish in the state.

Difficulties in marketing the product

After designing and manufacturing the product it is equally important to market them. The knowledge about the product should be conveyed to the target audience through the right medium. Here startups may require assistance because they may not have any previous experience. Wrong marketing strategies can lead to the failure of the product and the startup.

Conclusion

It has been discussed that as a state Kerala has always tried to bring out the best possible opportunities for young entrepreneurs by understanding their difficulties and providing proper guidance. Establishing a nodal agency for overseeing the development startups alone in the state shows how much the government gives importance to startups in the state. The scope of startups and the growth it can bring to the economy of the state is already realised by the government. But despite all the attempts there are still some sector of entrepreneurs who are not getting benefit out of all these startup development measures. It is the duty of the government to understand the short comings in the current startup culture in the state and take necessary steps to correct them. For this government themselves should conduct a separate study on the startup ecosystem of Kerala with respect to the efficiency of the different organisations and institutes which mentor startups. Government policy should be reviewed from for time to time to ensure its relevance for a given period of time. Creating awareness among all categories of people regarding startups is highly important and this should be focus point of the government because more awareness will give birth to more startups in the state.

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