



# Entrepreneurships and Startup Programmes: Opportunities in Travel and Tourism

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## Abstract

Startup India programme of Government of India and various state government initiatives to promote startup ventures have started to boost entrepreneurships. Several venture capital firms have been actively looking at Indian startup sector for investment and partnerships. Among the startups set up in the recent years, especially after the launch of startup programme of Government of India, the representation from travel and tourism sector has been quite negligible. Such an emerging scenario provides tremendous business opportunities for new entrepreneurs who have innovative ideas in Indian travel and tourism sector. Making use of these opportunities, innovative startups should be encouraged in this sector. The absence of business incubation ecosystem in the travel and tourism sector is a matter of concern. Technology business incubators in travel and tourism sector needs to be set up, preferably with government support for ideation and incubation of the innovative business ideas and to provide access to finance. Enhanced access to a startup ecosystem and finance for students and entrepreneurs will result in a successful outcome in terms of income generation and employment creation.

## Key Words

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## **Introduction**

The travel and tourism economy of India supports employment creation for both skilled and unskilled persons substantially with its multi-sectoral spin-offs. This sector, unlike many other sectors, has the potential to grow with smaller capital investments without any industrial gestation period. It offers multi and multiplier benefits both in terms of income generation and employment creation. This paper discusses the scope of promoting startups in travel and tourism sector in the emergence of new business models of startups in India with special reference to Startup programme of Government of India. The paper explores various factors that can encourage a large number of startups in travel and tourism sector.

## **Entrepreneurship and Startup Programmes**

Travel and tourism industry or hospitality sector has been growing in India creating direct as well as indirect employment. However, entrepreneurship in travel and tourism industry has not attained the growth momentum while the entrepreneurship has been undergoing radical changes in India mainly due to impact of new industry promotion programmes and various entrepreneurship development schemes of states and central government of India. Conventional indicators of entrepreneurship are irrelevant in the current economic and business scenario and new indicators are emerging in India. There is a trend among new entrepreneurs to look beyond current market conditions to assess the potential of new products and services, processes or even innovative business models. Several scholars have analysed various aspects of entrepreneurship and innovative business. According to a study by Swedish Trade and Investment Council, Sweden is one of the best countries in the European Union in encouraging new business ideas to reach the market. By and large, Sweden, one of the world's most innovative nations is the most digitally connected economy. The non-hierarchical society in Sweden creates a fertile

environment for new ideas (Swedish Trade and Investment Council 2015).

Global Entrepreneurship Monitor defines entrepreneurship as “any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business”. Entrepreneurship is further defined as an activity that “involves the discovery, evaluation and exploitation of opportunities to introduce new goods and services and ways of organizing, markets, processes, and raw material through efforts that previously had not existed” (Hattab, GEM Egypt Report, 2013)

Against this background, the performance of several start-up entrepreneurs in India has been quite encouraging. A “start-up” is a new business venture started in a small scale with novel economically feasible products, the required expertise, both marketing and technological and a vision for growth and expansion<sup>i</sup>. The vision for growth and expansion stems from a strong need-based and innovative product composition that is scalable rapidly. Indian start-up situation is very encouraging due to the availability of large technology expertise and manpower resources. This is augmented by the large economy, numbers of internet users, the encouraging mobile phone penetration and the market size. India is the third largest start-up base nation with over 3100 start-ups. More than 800 start-ups are being initiated every year and project the presence of more than 11500 start-ups by the year 2020.

Academic literature has discussed various aspects of startups in India. Ecosystem comprises of sufficient funds, role of government in creating an environment of ease of doing business, availability of facilities such as office space, location, supplies, communication and telecom connectivity. The role of mentors to provide strategic advice needs special mention. A good start up ecosystem enables an entrepreneur to conceive an idea to developing it into a project proposal or business plan for starting a business. Currently, several entrepreneurs will have to overcome regulatory hurdles and financial constraints. The limited availability of risk capital from banks or venture capital companies, poor infrastructure and the

high operational costs are the limiting factors for the startups (Sanghi & Srija 2016).

Table 1 Startup Policy: Government Incentives

<b>Currently Available</b>	<b>Under Pipeline</b>
<ul style="list-style-type: none"> <li>• Tax benefits given in two budgets ( 2016-17 &amp; 2017-18)</li> <li>• Easier norms for labour law compliance</li> <li>• Nearly 2,500 startups get Rs. 650cr funding, plan to scale it up to around Rs. 1,850cr</li> <li>• self-certification and compliance under 9 environmental &amp; labour laws</li> <li>• start-up patent application</li> <li>• fast track &amp; up to 80% rebate in filling patents</li> <li>• public procurement</li> <li>• fast track under the criteria of "prior experience/turnover" for startups in all Central Government ministries/departments</li> <li>• winding up company in 90 days under insolvency &amp; Bankruptcy code 2016</li> <li>• INR 10,000 crore fund of funds for investment into startups through Alternate Investment Funds</li> <li>• INR 2,000 crore credit guarantee fund for startups through National Credit Guarantee Trust Company / SIDBI over 4 years</li> <li>• Tax exemptions on Income tax for 3 years</li> <li>• Tax exemptions on capital gains &amp; on Investments above Fair Market Value</li> </ul>	<ul style="list-style-type: none"> <li>• Tax benefits for angel investors</li> <li>• Stock options for independent directors, mentors &amp; advisors</li> <li>• ESOPs to be taxed at the time of share sale instead of allotment</li> <li>• Remove cap on deposits from shareholders</li> </ul>

Source: DIPP, Government of India at <http://startupindia.gov.in>

India has mainly two categories of startup firms (1) startups set up with the support of incubators funded by Department of Science and Technology, Government of India (2) startups set up with the support of business incubation programmes of private companies and institutions. Startup India is a Government of India flagship programme to promote startups<sup>ii</sup> and encourage innovation. This programme encompasses different components to empower startup ventures to boost entrepreneurship with a focus on economic growth and employment generation. This programmes provides proactive support and incentives at multiple levels (<http://www.startupindia.gov.in>). Incentive schemes cover tax benefits and easier norms for labour law compliance. Key features of startup policy are summarized in Table 1. The impact of promotional programmes of both Central and state governments have started to show positive results. As is evident from Table 2, a total of 705 recognized startups are reported during the last two years. The state level data indicates that state of Maharashtra, the leading industrialized state of India, is at the top with 128 recognised startups while Delhi (113) and Karnataka (94) have also performed well.

Table 2 Start-ups: States and Recognized Start Ups

States	Recognized Start Ups
Delhi	113
Gujarat	40
Haryana	66
Kerala	38
Karnataka	94
Maharashtra	128
Tamil Nadu	66
Telengana	29
Uttar Pradesh	38
Others	93
Total	705

Source: Government of India

Apart from recognised startups, a large number of unrecognized startups operate in different states. According to a recent survey Bengaluru is the leading city in India for start-ups with Mumbai, Hyderabad, Chennai, Ahmadabad and Pune in the lead .Bangalore has 617startups , New Delhi-504, Mumbai-309, Hyderabad-207,

Pune-136, Kolkata-41, Chandigarh-30, Kochi-26 and the rest of India has 640 (Ram Kumar 2015). Most of the startups are from sectors such as information & communication technology, biotechnology, new materials including nano materials, instrumentation and maintenance, manufacturing and engineering, design and communication, health and pharma, agriculture and allied fields, energy and environment. Unfortunately, travel and tourism sector has not witnessed the launch of so many startups. Only a recognized startup can avail the benefits announced in the Startup India action plan and it would be required to submit an application along with a relevant documents. The registering entities need to obtain a recommendation letter from any incubator recognized by Government of India. Startups can access a wider base of an incubator to obtain the same up to 7 years and for biotechnology startups up to 10 years. Annual turnover is limited up to Rs.25 crore while entity should work towards innovation, development or improvement of products or processes or services. A start up can be a scalable business model with a high potential of employment generation or wealth creation (Department of Industrial Policy & Promotion, Government of India). India has witnessed several successful startups before the launch of startup India, programme of Government of India

Table 3 Select Leading Indian Start-ups

<b>Name of the Startup</b>	<b>Product/Service</b>	<b>Funding</b>
Make My Trip	An Indian online travel company. Headquartered in Gurgaon, Haryana, India. Established in 2000	Series B Dec 14, 2006 \$13,000,000 and Series C Oct 8, 2007 \$15,000,000
TAXI For Sure	An aggregator of car rentals and taxis in India.	Not Available
YEPME	An online shopping company. Headquartered in Gurgaon, Haryana, India. Established in 2011	Helion Venture Partners and a California based investor. US \$9 million
Komli	Asia Pacific consists of the world's fastest growing economies and media advertising markets. Established in 2006	It's first funding from Helion Venture Partners, DFJ and Nexus Venture Partners.

Pubmatic	A marketing automation software company that powers the advertising strategy for premium publishers.	<ul style="list-style-type: none"> <li>• DFJ, Helion and Nexus Venture partners.</li> <li>• Investors DFJ and August Capital Venture partners.</li> </ul>
Flipkart	E-commerce platform in India	<ul style="list-style-type: none"> <li>• Seed Feb 1, 2009 \$100,000 Seed Jan 1, 2009 \$40,000 Series A Oct 1, 2009 \$1,000,000 from Accel Partners</li> <li>• Tiger Global based in New York.</li> </ul>
BabyOye	Pregnancy infant-care and mother-care products and services.	<p>No Stage Apr 15, 2011 \$2,500,000 from Accel Partners and Tiger Global and PrayankSwaroop Senior Associate at @Accel Partners. Investor in @TaxiForSure, @BookMyShow, @Flipkart, @Power2SME.</p>
Freshdesk	SaaS customer support solutions	<ul style="list-style-type: none"> <li>• Accel Partners and Tiger Global</li> <li>• Accel Partners.</li> </ul>
Book MyShow	Entertainment ticketing website offering tickets to events plays and sports in India.	In August 2012, Accel Partners invested.

Source: Ram Kumar G.K. (2015)

Note: These startups are not under the startup India programme of Government of India.

The products and services of leading Indian startups are reported in Table 3. It is significant to understand that out of nine startups, two are from travel and tourism sector. However, among the startups set up in the recent years, especially after the launch of startup programme of Government of India, the representation from travel and tourism sector has been quite negligible.

Table 4 Prominent Business Incubators and Accelerators in India

<b>State</b>	<b>Business Incubators</b>
Delhi NCR	<ul style="list-style-type: none"> <li>• Indian Angel Network Incubator</li> <li>• The Hatch</li> <li>• IIT Delhi</li> <li>• Tlabs</li> <li>• GSF</li> <li>• Veddis</li> <li>• 5ideas</li> <li>• Information Technology Business Incubator</li> <li>• JSSATE-STEP</li> <li>• Amity Technology Incubator</li> <li>• SEED-MDI</li> <li>• Technology based Incubator Society (TBIS), University of Delhi , South Campus,</li> <li>• Shriram Institute for Industrial Research, Shriram Scientific and Industrial Research</li> </ul>
Bangalore	<ul style="list-style-type: none"> <li>• Microsoft Accelerator</li> <li>• Khosla Labs:</li> <li>• NSRCEL, IIM Bangalore</li> <li>• Angel Prime</li> <li>• Kyron</li> <li>• GSF</li> <li>• IIIT-Bangalore Innovation Centre</li> <li>• E health-TBI, PES School of Engg . Tech Park</li> <li>• Global INCubationSERVices, JSS Institutions Campus</li> </ul>
Mumbai	<ul style="list-style-type: none"> <li>• Society for Innovation and Entrepreneurship (SINE), IIT Bombay</li> <li>• Unltd India</li> <li>• Venture Nursery</li> <li>• Seedfarm, Seedfund</li> <li>• GSF</li> <li>• SP Jain Institute of Management Research Center</li> </ul>
Chennai	<p>Startup Center</p> <ul style="list-style-type: none"> <li>• Villgro, IIT Madras</li> <li>• Rural Technology and Business Incubator (RTBI), IIT Madras</li> <li>• Technology Business Incubator, Centre for</li> </ul>

		Biotechnology, Anna University
Kerala		Start-up Village
		<ul style="list-style-type: none"> <li>• Technopark TBI</li> <li>• Technology Business Incubator, NIT Calicut</li> <li>• Amrita TBI, Amrita VishwaVidhyapeetham</li> </ul>
Ahmedabad		<ul style="list-style-type: none"> <li>• Centre for Innovation Incubation and Entrepreneurship (CIIE), IIM Ahmedabad</li> <li>• National Design Business Incubator(NDBI) NID Ahmedabad</li> <li>• Mudra Institute of Communications</li> </ul>
Chandigarh		<ul style="list-style-type: none"> <li>• Morpheus</li> <li>• The Hatch</li> </ul>
Hyderabad		<ul style="list-style-type: none"> <li>• Wadhvani Center for Entrepreneurship Development - ISB, Hyderabad</li> <li>• CIEE, IIIT Hyderabad</li> <li>• Life Science Incubator at IKP Knowledge Park</li> </ul>
Other business across India	important incubators	<ul style="list-style-type: none"> <li>• SIDBI Innovation-&amp; Incubation Centre, IIT Kanpur</li> <li>• Venture Center at NCL, Pune</li> <li>• Technology Incubation and Entrepreneurship Society (TIETS), IIT Kharagpur</li> <li>• TBI, BITS Pilani</li> <li>• TREC STEP, NIT Trichy</li> <li>• Technology Business Incubator, VIT</li> <li>• 500 Startups</li> <li>• Malviya Centre for Innovation Incubation &amp; Entrepreneurship , IIT BHU</li> <li>• Technology Business Incubator, KIIT University</li> </ul>

*Source: Field study*

Technology business incubators provide numerous benefits to owners of startup businesses with immense contribution of technology and innovation. As is shown in Table 4, several technology business incubators that provide numerous benefits to owners of startups have been operating in India. Most of these incubators are government supported while a few of them operate without any government funding. Let us discuss the achievement of select incubators. Manipal University Technology Business

incubator is funded by the National Science & Technology Entrepreneurship Development Board of the Department of science and technology. It provides support such as infrastructure support, mentoring from faculty, access to venture capitalists, subject matter experts, access to labs. It provides a mix of medical engineering and management expertise to enable entrepreneurs in nurturing their innovative business ideas. VIT Technology Business Incubator (VITTI), founded in 2003, is a joint initiative between VIT University and the government's department of science and technology. It has helped over 18 startups with grants. A total of 30 startups have graduated, and 13 companies are under incubation at various stages. With the help of this incubator, Xcode Life Sciences won a grant of \$30,000 for improving medication adherence and saving lives.

Amrita Technology Business Incubator, founded in 2008, incubated 72 startups out of which 20 are graduated. The incubator which has received funds from various government institutions bagged a national award for best technology business incubator from the department of science and technology, Government of India. Amrita Technologies provides comprehensive hospital information systems, which are used in 30 installations in India and the US in hospitals with over 2,000 beds. Preksh Innovations is a visual commerce solution provider which brings real-life shopping experiences to consumers. It won the second place in K-Grand Challenge in South Korea among 2,400 teams from 120 countries. Intel India Maker Lab, Bengaluru is another incubator programme with a strong and relentless focus on accelerating innovation, systems design and entrepreneurship globally. Intel India Maker Lab initiative was a natural fit towards strengthening the tech ecosystem in hardware and system design. It has State-of-the-art lab infrastructure including test and measurement equipment, tools, mentoring from 30+ senior technologists, seed funding through SINE-IIT Bombay and Department of Science & Technology. It cater to unique needs of hardware and systems startups in collaboration with government and academia, focus on tech areas like cloud, mobile, Internet of Things, artificial intelligence, machine learning, driverless cars and virtual reality with a vertical focus on health-tech, agriculture, automotive,

industrial . It has over 50 startups while the first batch of 17 startups graduated in October 2016.

### **Startups in Travel and Tourism Sector: Potential and Opportunities**

Though numerous start-ups are funded by the founders and co-founders themselves, venture capital firms, angel investors and crowd-funding are the main funding sources of start-ups . The popularity of venture capital funds increases as they are ready to accept higher risks of failure compared to other project financiers. Central and state governments have taken several initiatives for encouraging start-ups .These entrepreneurs have set up their technology business indifferent sectors. Indian micro, small and medium enterprises sector have been witnessing fast changes in its business and investment strategies. Several sectors have started to experience the entry dynamic entrepreneurs who formulate innovative ideas and execute technology and innovation activity. The essential features of early stage of startups are quite different from advance stage and as a result, different business models have been emerging. These startups have been set up in the field of various categories of products and services and some of them are in the technology-related areas such as information& communication technology, biotechnology, manufacturing and engineering, design, media & infotainment, health and pharma, agriculture and allied fields, energy and environment.

Technology business incubators play a greater role in fine tuning the innovative business ideas and business plans and providing access to finance. Business incubation ecosystem needs to be strengthened with appropriate interventions. This study found that number of startups being set up in the travel and tourism sector has been relatively low, considering its tremendous potential for employment generation and involvement of youth. This calls for suitable measures for promoting innovation in the travel industry in India by connecting startups with established travel companies, investors and incubators. Unfortunately, this sector has not received adequate momentum in attracting startups .Travel and tourism sector has not received its deserving role in the incubation of business ideas. The absence of business incubators to

promote business ideas in travel and tourism is mainly responsible for this situation.

Table 5 Travel Tech Companies in 2012-17: Annual Global Financing History

<b>Year</b>	<b>Amount of Disclosed Funds</b>	<b>Number of Deals</b>
2013	\$718	204
2014	\$1923	218
2015	\$4857	323
2016	\$2999	361
2017	\$5379 (Disclosed funds-\$1452, Run rate \$3927)	335

Source: CB Insights at<https://www.crunchbase.com>

Potentials in Indian travel and tourism sector can be analysed in the background of successful travel technology companies. Travel technology companies primarily deliver travel company software, internet booking engines, online reservation system in travel industry. For instance, Travel Tech Hub gives platform for connecting a wide network of partners in different nations in the travel industry. It provides startups direct access to funding, mentorship, pitching, learning and networking opportunities. The global financing history of Travel Tech Companies during 2012-17 shows a consistent increase in the funding of travel tech companies. As is shown in Table 5, the disclosed funding of these companies has increased from \$718 in 2013 to \$2999 in 2016. In 2017, disclosed funds are \$1452 and the run rate is \$3927 making a total of \$5379.

Table 6 Best Funded Travel Tech Companies in 2012-17: Global Financing Deals( US \$)

<b>Company</b>	<b>Location of Company</b>	<b>Total Disclosed Funding</b>
Airbnb	US	4.4b
Ly.com	China	1.3b
Oyo Rooms	India	543m
Tulia	China	464m
Decolar	Argentina	342m

Source: CB Insights at<https://www.crunchbase.com>

The global financing deals of best funded travel tech companies in 2012-17 are presented in Table 6. Airbnb in US has received the highest funding of US \$4.4b followed by Ly.com in China (US\$ 1.3b), Oyo Rooms in India (US\$543m), Tulia in China (US\$464m) and Decolar in Argentina (US\$342m).

There are tremendous possibilities of ideation and incubation of business ideas in the travel and tourism sector. As an example of start up business idea, let us discuss the case of intellectual tours. India has started witnessing increasing popularity of intellectual tours. An expert-led tour to historical sites in India will enable international tourists to understand the cultural and historical background relevant to each site. The trend of introducing travelers to Indian wonders and different tourist places by writers and scholars is quite encouraging. Of late, some research scholars have come forward to work as a guide by managing time between research projects and teaching. It is a challenging job as the traveler's every question should be addressed on the field. Tourists are getting enlightened in their special interest with the assistance of a scholarly guide who can get a reasonably good remuneration which in the range of Rs 10,000 a day to Rs.50, 000. Expert's celebrity popularity is the key factor in determining the remuneration. They can be from different disciplines while textiles scholars, geologists, anthropologists and naturalists have edge in getting commissioned by travel companies to organize 'intellectual tours'. It is important to understand that the scholar-guide is well demanded in some foreign countries. Academics and researchers can get in to this segment as a start up entrepreneur.

## **Conclusions and Recommendations**

Recent years have witnessed the setting up of a large number of recognised and unrecognized startups in different states. Travel and tourism sector has not gained much in the launch of successful startups though several technology business incubators are instrumental in fine tuning the innovative business ideas and business plans and providing access to finance in different sectors. The unavailability of business incubation ecosystem in travel and tourism sector is one of the major limitations hindering the launch of startups. The global financing history of travel tech companies during 2012-17 shows a consistent increase in the funding of travel tech companies. This indicates the scope of setting up of a large number of startups in travel and tourism sector.

Startup India programme of Government of India and various state government initiatives to promote startup ventures have started to

boost entrepreneurship. Several venture capital firms have been actively looking at Indian Startup sector for investment and partnerships. Making use of these opportunities, successful and innovative startups in travel and tourism sector can be set up in India. An exclusive technology business incubators in travel and tourism sector needs to be set up with government support. Students and young entrepreneurs should get in to travel and tourism related business field. There should be continuous ideation and incubation of business ideas in the travel and tourism sector .Through knowledgeable business mentors business clients can be found for startups. Such a strategy would ensure that innovative ideas would be graduated to viable business entities. Start-Up Village Entrepreneurship Programme (SVEP), is launched in 2016 as a sub scheme of National Rural Livelihood Mission of Ministry of Rural Development, Government of India (Government of India, 2016). Since this flagship programme helps the rural entrepreneurs to access finance for start enterprises, travel and tourism sector can avail the benefits of this schemes. Enhanced access to a startup ecosystem and finance for students and entrepreneurs will result in a successful outcome in terms of income generation and employment creation.

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## Websites

[www.crunchbase.com](http://www.crunchbase.com)

<http://www.thestartupcentre.com>

<http://www.startup-india.org>

<http://startupindia.gov.in>

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## Notes

<sup>i</sup> Globally, a startup is defined as an entrepreneurial venture which is a newly emerged business that targets to meet a market need by developing or offering an innovative product, process or service.

<sup>ii</sup> According to the notification of the Ministry of Commerce and Industry, Government of India dated April 17, 2015, an entity will be identified as a startup if it works on innovation, development, and commercialization of new products, processes, or services driven by technology or intellectual property and If its turnover does not exceed Rs. 25 crores in the last five fiscal years. Start up status will be given till up to five years from the date of incorporation.

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