

A MINI PROJECT REPORT ON
“A SWOC ANALYSIS REPORT FOR START UPS IN INDIA AMIDST
INDO-CHINA STAND OFF”

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE
AWARD OF THE DEGREE OF

MASTER OF BUSINESS ADMINISTRATION

OF

BENGALURU CITY UNIVERSITY



BY

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UNDER THE GUIDANCE OF

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AL-AMEEN INSTITUTE OF MANAGEMENT STUDIES

(2020-2022)

DECLARATION BY THE STUDENT

I hereby declare that **“A SWOC ANALYSIS REPORT FOR START UPS IN INDIA AMIDST INDO-CHINA STAND OFF”** is the result of the project work carried out by me under the guidance of **Prof. RAVISH B.A.** in partial fulfilment of the award of **“MASTER OF BUSINESS ADMINISTRATION”** by **“BENGALURU CITY UNIVERSITY”**.

I also declare that this project is the outcome of my own efforts and that it has not been submitted to any other university or Institute for the award of any other degree or Diploma or certificate.

Place: Bangalore

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CHAPTER-01



CHAPTER 1 –INTRODUCTION

The nature of India's trade and investment relations with China has changed dramatically since 2014, thanks to an infusion of Chinese cash into the country. According to official estimates, China's net investment in India was \$1.6 billion until that year. The majority of the investment was on infrastructure, with significant Chinese businesses participating a sector dominated by state-owned businesses (SOEs). Total investment rose during the next three years. According to data from Beijing's Ministry of Commerce (MOFCOM), the market has grown fivefold to at least \$8 billion. The Chinese private sector has made a noteworthy shift from state-driven to market-driven investment. Official figures, on the other hand, understate the quantity of investment because they do not account for all Chinese investment acquisitions of stakes in the technology industry by firms, or investments from China. China channeled them via Singapore being a third-party country. A US\$504 million (Rs.3,500 Crores) investment made by Xiamoi Singapore subsidiary is a mobile and telecoms company.

The goal of this paper is to provide a more complete picture of Chinese investment in India in order to assess the implications of Chinese investment and acquisition for India's diplomacy, trade strategy, and security. Rather than attempting to provide a definitive figure, which is beyond the scope of this paper, the larger goal is to examine Chinese companies' growing stakes in India and assess the implications for relationships. MOFCOM statistics, publicly available information gathered from Chinese enterprises, news reports from China and India, and background material supplied by Indian and Chinese officials are all used in this article. It is reasonable to assume that overall Chinese investment surpasses the stated figure by at least 25%, and this is a modest estimate. Chinese corporations have spent at least US\$4.4 billion in India, when stated projects and planned investments are included in the total current and projected investment and money invested in purchasing or expanding existing facilities.



Chinese firms have also invested in Indian enterprises, especially in the pharmaceutical and technology industries, and have participated in a number of fundraising rounds for Indian IT startups.

Another US\$15 billion approximately is pledged by Chinese companies in investment plans or in bids for major infrastructure projects that are yet to approved. Because the exercise of tracing Chinese investments in India has significant constraints, these amounts are likely an understatement. For starters, there is no comprehensive registry or record of Chinese enterprises operating in India, or their investments in the Indian or Chinese governments. One cause is the way investments are routed. Through various countries the second is the various foreign direct investment (FDI) avenues into India. As a result, there is no single government agency that has complete FDI statistics. Chinese Ministries, on the other hand, may have more precise country-level data but are less forthcoming in terms of information. It's worth sharing. Investments from funds with shaky ties to Chinese enterprises further complicate the picture. to determine Another issue is the inability to verify if Chinese enterprises have made the indicated investments have come to fruition to the best extent possible. It is beyond the scope of this paper to verify this.

The study's first section, "Actors in China's Foreign Policy," looks at how new actors including the private sector and provincial governments are influencing China's foreign policy. "China Inc. and India," the second portion, examines how Chinese firms' strategies and goals have evolved over time. whether state-owned or private, in doing business and investing in India. The section on "Making in India." The five categories in which investments are outlined and assessed are infrastructure, energy, automobiles, consumer goods, and real estate. The fourth section, "Buying in India," looks at Indian acquisitions, with a focus on the technology sector. The latter two sections examine the implications for India's relationship with China. Provide five key recommendations for India's trade and investment policies.



According to the report, India needs to engage more aggressively with new actors in China's foreign policy, particularly the private sector and provincial state governments, where many trade and investment transactions are formed. India has to rethink and modernize its trade and investment strategy in order to maximize its potential. If China wants to be more successful in its commerce, it must increase its stakes in the Indian market with China's goals. The influx of Chinese private-sector investment offers significant hurdles for India's economy. The necessity for an open, credible, and predictable regulatory system has been highlighted by regulators.

In China, the lines between the public and private sectors are hazy at best, and some of the country's most powerful people are in the private sector. Private technology companies, including those with significant investments in India, are playing an increasingly important role in advancing domestic government agendas, such as establishing a successful censorship system.



The lack of a clear distinction between state-owned enterprises (SOEs) and private enterprises begs the question of whether the Chinese private sector can truly be regarded separate from the government. With Chinese and other foreign enterprises acquiring controlling holdings in U.S. companies, this matter becomes even more pressing. Indian firms, particularly in the technology sector, where security and strategic implications are defined differently are undergoing dramatic change. China's growing investment delivers benefits to both the government and the private sector. India, which is seeking to rectify an unbalanced trade relationship, and Indian enterprises in need of capital. While it is in India's best interests to facilitate this process by providing a hospitable environment, this article argues that it is not in India's best interests to do so.

The government will also need to be more proactive in ensuring an open and predictable investment climate. Longer term security and privacy concerns, as it opens up new investment opportunities.

BUYING IN INDIA

While Greenfield investments have increased after 2014, the most significant development has been the entry of Chinese cash for acquisitions in India. The Fosun Group's US\$1.09 billion acquisition of a 74 percent share in Gland Pharma in 2017 was the single largest deal in this industry. Aside from the Fosun, The majority of the investments have been concentrated in the technology industry. When it comes to investments, 2017 was a banner year. Startups in the e-commerce and fin-tech sectors received \$7 billion in funding in this market at its peak, both domestically and internationally. E-commerce startups were the most popular destination during this time, with Transportation (US\$1.7 billion), fin-tech (US\$750 million), and travel (US\$450 million) all received US\$3 billion in investment million). The three largest foreign investors in this field during this time period, according to the disclosed deals Soft Bank of Japan, Ali-baba of China and Tencent invested China Sequoia Capital is a venture capital firm based in California.



ALI-BABA



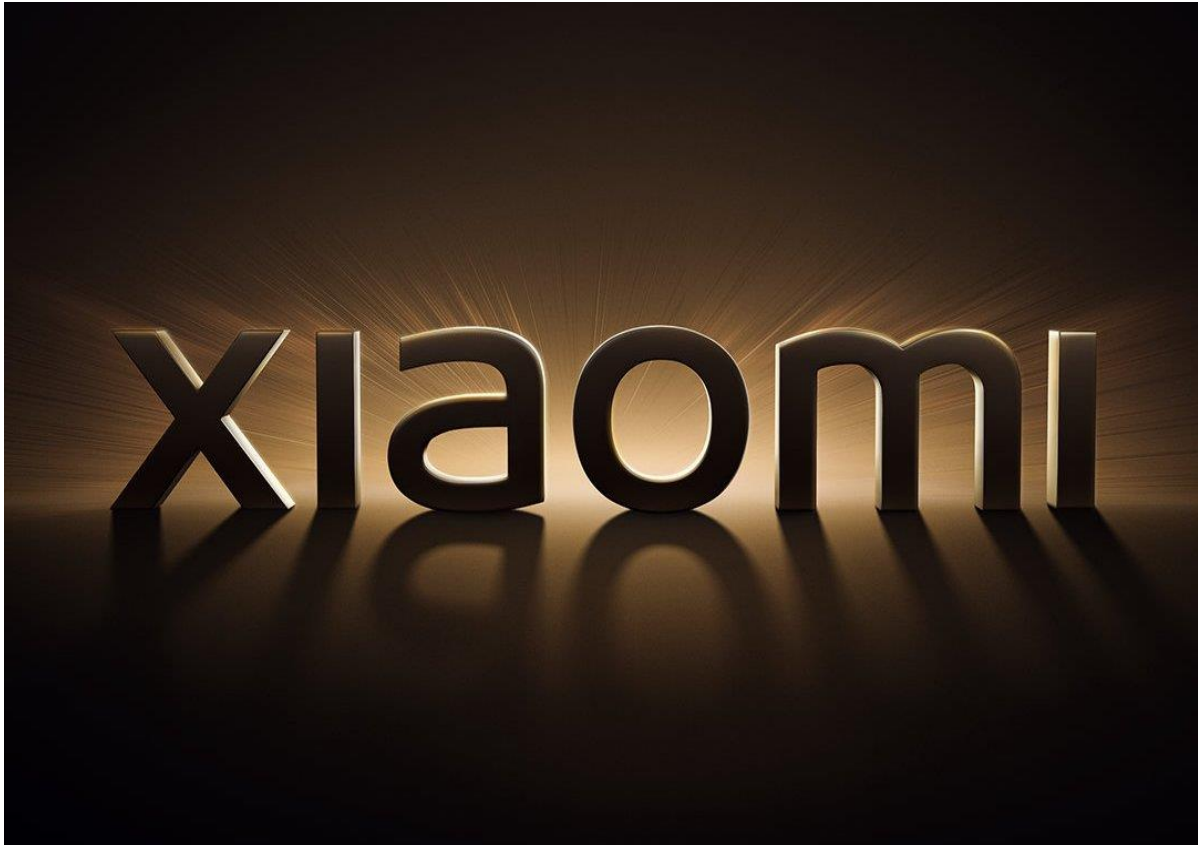
In 2016 and 2017, the number of Chinese acquisitions and investments in India reached an all-time high. The two largest investors in India, Ali-baba and Tencent, have combined invested over \$3 billion in fundraising rounds. With its entry and US\$680 million investment in Ant Financial in 2015, Ali-baba took the lead. Financial Paytm is a popular app in India with over 300 million users, thanks to a 40% investment in One97 Communications, the parent company of the widely used online wallet. 60 Ali-baba raised its share in the company in 2017 by investing an additional US\$177 million. Paytm and Ali-baba have a relationship that isn't just about money. To begin with, the Paytm app is a carbon copy of Ali-pay, Ali-baba's widely used payments app in China, down to the colours. An exclusive relationship for Paytm to use Ali-Cloud, Ali-baba's cloud, is one of the agreements between the two firms. Paytm and Ali-pay payment instruments will be integrated into the computer platform, allowing Indian users to make payments. Ali-pay's merchant base is accessible, and Chinese consumers can utilise Ali-pay to pay Indian merchants.⁶² When it came to questioning, questions have been raised, especially in the Indian Parliament, about whether Ali-pay or Ali-baba have access to Indian users' data.

TENCENT



Has developed a broad portfolio in India, focusing on holdings in the biggest players in every vertical 71, from spearheading a US\$175 million fund-raising round into Hike Messenger⁷⁰ to a US\$90 million injection into the healthcare start-up Practo, which was followed by another US\$55 million round. In the realm of education, it has created a reputation for itself. Byju's, a learning app, received a \$40 million investment, followed by an additional \$11.4 million in a later fundraising round. Tencent has entered the food delivery business, teaming with Naspers, the company's largest shareholder, in a \$1 billion agreement. Swiggy, a competitor to Zomato, which is sponsored by Ali Baba, has acquired a funding round. ⁷³ It also sent a group to India, where it invested \$100 million in Dream11 Fantasy as part of purported plans to invest \$200 million in India's online gaming business. Gaana, a music streaming service, has raised US\$115 million in a new round of funding. Tencent, which has ⁷⁴ million users like Byte Dance, has entered the news sector, leading a \$50 million investment round in the aggregator.

XIAOMI



Xiaomi, the world's largest smartphone manufacturer, is the third largest investor, but it has a unique strategy. According to the organisation, its whole portfolio in India now exceeds \$500 million, but it is split over over a hundred different startups in smaller investments. Xiaomi is a Chinese smartphone company that also owns Shunwei, a linked investment firm. ShareChat, a social media app, received an initial investment of US\$8.5 million from Capital, which was followed by a second round of funding. Shunwei made a \$32.5 million investment in the round. 76 Shunwei's first significant investment in India was \$25 million. In the entertainment business, Hungama Entertainment has concluded a funding round. Following that, many financial investments were made, including a \$8 million round for KrazyBee and a \$13.4 million round for Lending Club.

STATEMENT OF THE PROBLEM

The China-India relationship has been marked by cooperation, competition, and the possibility of confrontation. During their October 2019 meeting, Chinese President Xi Jinping and Indian Prime Minister Narendra Modi stressed the cooperative aspects of their relationship, which the two countries had worked to build over the previous two decades. The fresh coronavirus outbreak and the border issue, on the other hand, have ensured that the competitive and conflictual components of the Sino-Indian relationship have dominated since the start of the year—and are certain to persist, if not deteriorate. Recent events have demonstrated that, despite Delhi and Beijing's best efforts to interact and sustain their relationships, they remain competitive and confrontational. Second, India and China are cornerstones of a new international order. Aside from the trade and economic connection that has existed since the turn of the century, the two countries have also signed a slew of accords spanning agriculture, education, science and technology, and climate change. Although there is significant potential for cooperation in the fight against terrorism, China repeatedly holds back due to its backing for Pakistan. Despite the regularly announced intentions to broaden and deepen the partnership, progress on the ground remains insufficient, despite the potential and prospects. Finally, China has taken an equivocal attitude toward Pakistan. For example, it has softened its stance on Masood Azhar's designation as an international terrorist and the Financial Action Task Force's greylisting of Pakistan (FATF).



NEED OF THE STUDY

According to analysts, India's economic recovery appears to be driving higher demand for imports as the country recovers from the Delta variant-induced chaos of recent months. In August, commerce between China and India reached \$11.02 billion, with overall trade between January and August reaching \$78.55 billion, a 51.9 percent rise year over year. In August, the two countries' imports and exports were \$8.59 billion and \$2.43 billion, respectively, for a total of \$58.69 billion and \$19.85 billion in the first eight months. According to Liu Xiaoxue, an associate research fellow at the Chinese Academy of Social Sciences' National Institute of International Strategy, China and India had a close commercial relationship before to the pandemic, and it will be difficult for India to find substitutes for Chinese products. According to the New Delhi-based daily The Print, despite Indian calls for a boycott, trade between China and India surged by more than 65 percent in the first half of 2021, demonstrating that China remains India's largest international trading partner. Despite these limits, we believe the bilateral relationship has a bright future because the two countries share many mutual interests in a wide range of fields. Their economic frameworks, for example, are complementary. Furthermore, China is a manufacturing powerhouse, and India is a big global service provider. Both countries confront similar domestic economic and social development challenges and may learn from and support one another in addressing them. In terms of security, China believes that if it cannot effectively manage its relationship with India, it will be unable to create an ideal security environment, which is critical for its domestic development. For India, a positive relationship with China will not only aid the country's development but will also help it expand its global influence.



CHAPTER 2 – METHODOLOGY



OBJECTIVES

- To critically analyse issues affecting Indian business amid indo-china standoff.
- To comprehend the opportunities and challenges which presented itself to businesses due to this pandemic India and China standoff.
- Assist in the promotion in any company by providing strategic information.

METHODOLOGY OF THE RESEARCH

The goal of this research is to see how far India and China's trade relations have progressed and to look into the possibilities for future trade cooperation between the two countries. To better understand the potential linkages and future trade opportunities between the two countries, the following methodology is used.

SECONDARY DATA

The present study is basically drawn upon secondary data which are published in journals, newspapers, magazines etc. and further personal interview from appropriate industry experts that were conducted to collaborate the authenticity of their secondary data drawn.

PLAN OF ANALYSIS

The collected data were analysis using statistical tools such as average, percentage, ratios, proportion etc. and illustrated through appropriate charts, graphs, tables, diagram to facilitate easy interpretation.

LIMITATIONS OF THE STUDY

- Time was a constraint.
- The situation was limited to India only.
- Secondary data was assumed to be true and unbiased.



CHAPTER-03

SWOC ANALYSIS



STRENGTHS

Not only India and China aim to be major players in the Asia-Pacific area. To replace the existing one power, either India or China would have to wait decades. They must overcome their own economic and strategic power limitations in order to catch up to the United States, which continues to be the region's dominant force. In order to acquire superpower status, India and China must yet pass through multiple stages in their peaceful expansion and contacts with Asia and African states in the Asia-Pacific region, especially given that both are pursuing opposing objectives. This becomes an extremely hard and competitive process for the two area rivals. The strategies of the Asia-Pacific area are based on competition, cooperation, and containment among the region's major powers. As India and China become more powerful. They are modernising their deterrent forces in international politics and bolstering their economy. India and China are increasing their economic and strategic connections even as they pursue divergent policies.



WEAKNESS

Although India and China have a positive relationship, there is still some ambiguity in terms of trade. Language and cultural differences between the people of the two countries, various levels of corruption in both countries, particularly in the trade sector, geopolitical differences, internal and political issues, political bottleneck, trade deficit between the two countries, and a divide between the low and high income groups were discovered as flaws in their trade relationship. Because both countries have a small number of speakers who are fluent in both national languages, language is a significant disadvantage. Everything, however, depends on the government's capacity to act quickly, decisively, and effectively. India's corruption is producing both domestic and international problems India's political condition is far worse than that of China, and it is one of the country's major flaws. The cultural and political systems of each country are drastically different from China's. The political structure of India is complicated. The world's largest democracy governs India's political system, whereas China is governed by a single party. In both countries, the distinctions are a major shortcoming. Internal Chinese problems, as well as the government's senior officials' lack of independence, are predicted to have an impact on the country's trading strategy. The problems with China's currency rate strategy, financial infrastructure, and state-owned corporate inefficiency are all linked. Other constraints include China's official policies, which are deficient in democracy, lack public opposition, are indiscriminate, and the government controls the internet. In both countries, corruption and breaches of human rights are important concerns. The trade balance between India and China used to change on a regular basis, according to the research, but India's exports to China grew in 2017.



OPPORTUNITIES

There are prospects for both countries to improve their relationship and gain control of the global market in global trade. This study found certain opportunities in terms of trade linkages, since India and China will overtake China as the world's largest economic hub. Due to mass consumption of industrial raw materials, capital goods, energy, and other items, India and China will become the world's largest and fastest growing markets.

China has had the most remarkable "go-global" world vision strategy in recent years to advance upscale equally technologically and industrially, all while growing Chinese investment in many nations. It demonstrates that China has a fantastic potential to invest in India, generate jobs, and build a healthy and strong relationship. For example, China is the world's largest market, while India has the world's second largest market hub for trading due to its population, and both nations have a massive offer for business, are prospective global hubs, and have solid relationships with other possible countries. Bilateral trade between the two countries is poised to explode. China will grow its services industry in order to shift some production from China to India, primarily at the low-end of the export manufacturing spectrum. In order to serve the global world, India and China will showcase an Asian manufacturing and services powerhouse.



CHALLENGES

Indian entrepreneurs confront a variety of obstacles, including hiring and managing a team, interacting with consumers, and devising a marketing strategy. Many Indian entrepreneurs, in particular, come from a technical background and lack business experience. A considerable quantity of operating capital is necessary to run a startup. Many businesses, particularly those in their early stages, are bootstrapped, which means they are self-funded or rely on friends and family for funding. Some startups have enough paying clients to be or become self-sustaining, and as a result of the money and profits they generate, they can grow organically. While not every business need external money, many do start looking for investors as they prepare to expand. Even if a product has received positive feedback and has some market validation, finding the right investor and raising funds might be difficult. Another issue for corporations is getting their products into India's market, which appears to be difficult to penetrate. One of the factors is the competitive environment. Many businesses currently exist, and many more will enter the market, including copycats. Another problem is that, when compared to giant corporations, small firms are at a disadvantage. On the one hand, this is due to the fact that major market participants are better able to deal with bureaucratic constraints. On the other hand, public procurement is viewed as ineffective, and the government prefers to negotiate contracts with well-established companies. Large corporations, on the other hand, may find it easier to support new ventures (for example, by working with them in the context of their open innovation efforts). Customer communication and retention involve time and effort, which is a third factor. Persuading Indian clients is difficult, especially if the firm is new.



CHAPTER-04

ANALYSIS/OUTCOMES

OUTCOMES



Outcome of the Study

According to the over half-a-dozen founders and investors, are also ensuring no participation from the existing Chinese investors to avoid waiting for approvals, which they suspect may take unrealistically long for a startup.

These are at least half-a-dozen early-stage startups, including cashify, a reseller platform, that are raising fresh capital without participation from their existing Chinese investors.

In fact, some of them have also begun discussions with their existing Chinese investors to offer them secondary exits, industry sources said. In a secondary exit, existing investors sell their shares to new players.

Last April, the government had changed FDI rules to keep tabs on Chinese capital in Indian companies. Apart from the early-to-mid stage startups, strategic investors such as Ali-baba and tencent own shares in large internet, firm, like Paytm, Bigbasket, Zomato, Policybazaar, Swiggy, Udaan and Byju's among others

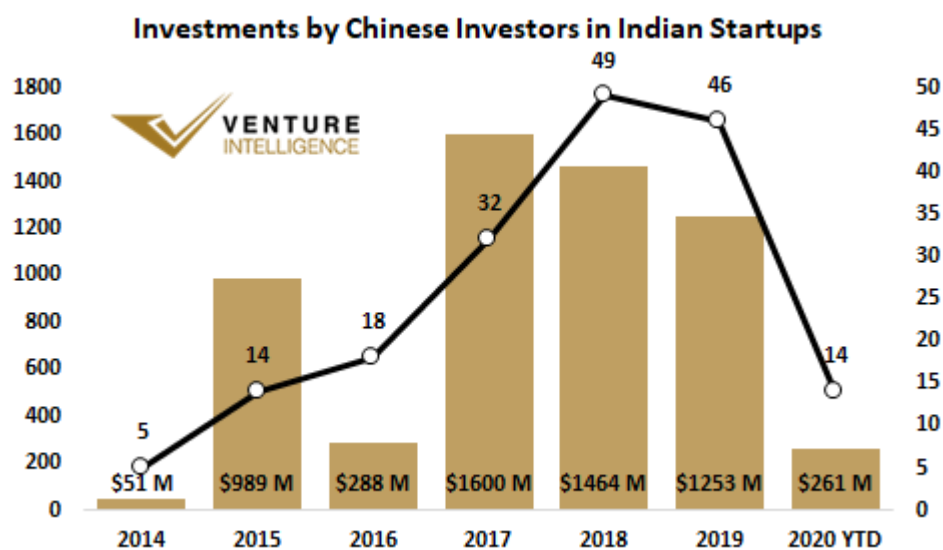
Cashify, where Chinese investors such as Shunwei capital CDH investments. Morningside hold over 30-32% stake, has raised over \$15 million from single investor-olympus capital with no participation from Chinese investors.

Sources aware of the matter said another growth-stage fintech firm in the process of closing a new financing round where a prominent Chinese investor is expected to exit the investment.



Over the last decade, the Indian startup ecosystem has exploded, with billions of dollars poured in by Indian and international venture capitalists. In both 2018 and 2019, new records for money raised by Indian companies were set. India has the third-largest number of unicorns (startups worth more than \$1 billion) of any country in the world, with 28.

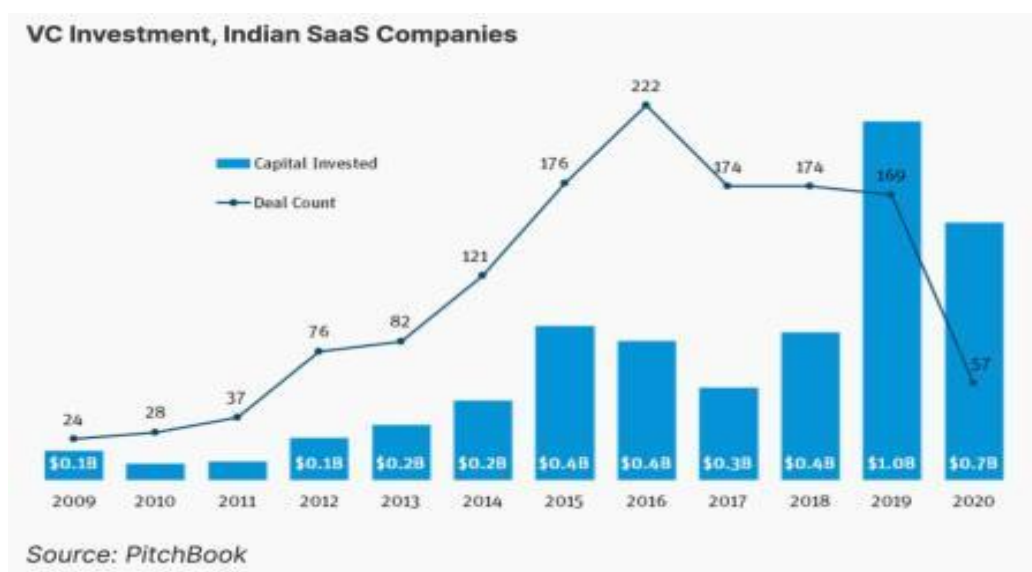
Chinese VCs and strategic investment have been one of the primary contributors to this spectacular ascent in recent years.



According to Venture Intelligence, Chinese investors have put \$4.3 billion (about Rs. 30,200 crore) into Indian businesses in the previous three years. Shunwei Capital, Fosun RZ Capital, CDH Investments, Hillhouse Capital, and Morningside Ventures are some of the most well-known Chinese venture capital firms. Furthermore, strategics such as Alibaba and Tencent, both Chinese titans, have begun writing large checks to Indian entrepreneurs. These companies are so active on the Indian continent that they have established local offices and engaged investment professionals to look for opportunities.

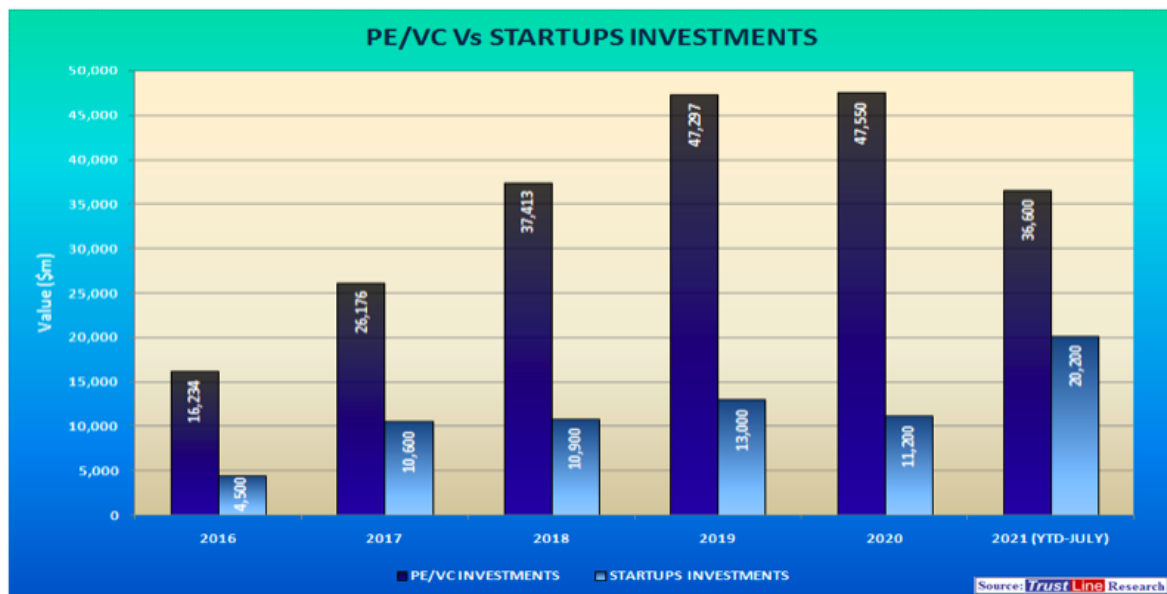
17 of China's 28 unicorns have been backed by Chinese investors, and Alibaba and Tencent have been involved in 13 of those 17 growth stories.

Indian entrepreneurs admire not only their vast cash reserves, but also the crucial experience given by Chinese venture capitalists who have developed multibillion-dollar businesses in their own nation. Founders in India frequently look to China for inspiration, where models in social media, digital content, and video-based commerce have resulted in enormous corporations.



"It's not that Indian founders imitate Chinese models. The Indian market has a number of specific obstacles that China does not. "However, the demographics are comparable, and both founders and investors engage in underlying pattern matching," remarked the CEO of an Indian content provider to Money Control.

Due to the current Covid-19 epidemic, the Government of India changed the existing FDI policy in a circular dated April 17, 2020, to prevent opportunistic takeovers or acquisitions of Indian enterprises. The decision was prompted by China's Central Bank purchasing a 1% interest in HDFC following the stock market meltdown that caused the company's shares to plummet. It was also mentioned that China-backed funds were looking for companies that were experiencing a valuation drop as a result of the pandemic's impact.



Any country that has a land border with India can only invest through the government channel, according to the legislation. Because no other surrounding country has made significant investments in India, this is commonly interpreted as a measure to limit Chinese investment, which some have welcomed.

However, for capital-starved companies, this means a longer wait time of up to 12 months, delaying deals with Chinese investors across the board. This is a major setback for start-ups in these already difficult times. "Founders are still debating the government's decision's long-term consequences. But, even if Chinese investment slows, we hope knowledge exchange, which is

critical, may continue," said Lal Chand Bisu, co-founder and CEO of podcasting company KukuFM, to MoneyControl.

"In our interactions with Chinese investors, we have seen that such investors are now dissuaded from investing in India, given the government's clear reluctance to freely invite Chinese capital," Atul Pandey, Partner at law firm Khaitan & Co.told ET. Rather, Chinese investors are now looking at other countries such as Vietnam and Indonesia."

Other investors and entrepreneurs echoed the sentiment as there is little clarity over Chinese investment in Indian start-ups. Last month, TOI reported that the government has started clearing select investments on a case by case basis.

"We don't know what is the threshold being considered to define strategic whether it is 10% or 25%. There is no clarity yet though it has been raised with the government over the past few months," the investors mentioned above added.

Entrepreneurs and investors added this start-ups are also going to miss out on the operational expertise Chinese investors have to offer, besides the capital, from their experience backing similar firms in China.



CHAPTER-05

LEARNING EXPERIENCE AND CONCLUSIONS



LEARNING EXPERIENCE

Finally, startups require funding to continue operating. While some firms are self-sustaining due to their produced revenue, others seek outside capital, particularly if they intend to scale.

Typically, incubators and accelerators do not provide any funding or only supply a modest amount of funding. Instead, they concentrate on preparing entrepreneurs for financing by training them how to pitch and providing feedback on their decks. Furthermore, they usually work with a group of investors and can make introductions to appropriate investors. Accelerator programmes, in particular, usually conclude with a demo day, which allows companies to pitch in front of a varied audience, including investors and corporate executives. If corporate executives perceive potential in startups, a long-term strategic collaboration may be possible, in which both sides enter into a buyer-vendor relationship or participate in a revenue-sharing arrangement.

The number of venture capital deals in Delhi surged by 407% from 168 to 851, in Bangalore by 306% from 195 to 792, and in Mumbai by 288 percent from 133 to 516 deals, compared to the preceding period 2010-12. In 2018, Indian startups raised a total of \$11 billion in investment. [xliv] As a result, it appears that raising capital for companies has become more easier. However, the majority of the businesses interviewed stated that they are bootstrapped and not self-sufficient, and that they are having difficulty obtaining capital despite having a proof of concept and some market validation. The idea was floated that the amount of startups that really receive investment is quite low.

CONCLUSIONS

The presence of Chinese products in the Indian market has expanded dramatically and tremendously over the first decade of the twenty-first century. India's imports from China increased by 33 times between 2001 and 2006, from USD 1.83 billion to USD 60.48 billion. Surprisingly, at the same period, India's trade imbalance with China increased by 57 times. The trade imbalance between India and China dropped somewhat to USD 51.57 billion in 2016-17, down from USD 52.69 billion the previous year.



The amount of the trade imbalance, on the other hand, is enormous. In 2016, India was the seventh-largest exporter to China and the 27th-largest exporter to the country. In the first four months of 2017, commerce between India and China surged by 19.92 percent year on year to USD 26.02 billion. During the same period, India's exports to China climbed by 45.29 percent to USD 5.57 billion, while India's imports from China increased by 14.48 percent to USD 14.883 billion.

India's import pattern with China has switched substantially from intermediate to capital goods as the country's industrialisation accelerates. Indian products, on the other hand, have a low intensity in China's market and have been steadily declining over the years.

In terms of diversification, China's export basket to India is highly focused and intensive towards a small number of products. As a result of the increased reliance on fewer items, the issue of high volatility is exacerbated.



CHAPTER-06

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10-12-2021	Discussions of start-ups in india amidst indo-china stand off and SWOC Analysis	
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