

STARTUPS – DRIVING FORCE OF INNOVATIONS AND ECONOMY JAUNUZŅĒMUMI – INOVĀCIJU UN EKONOMIKAS VIRZĪTĀJSPĒKS

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Abstract. *This research paper aims to explore the world of startups and compare the startup ecosystems in different countries: Baltic countries, Morocco and India. The paper discusses the characteristics of startups, the challenges and opportunities they face in today's global market. This joint research paper also analyses the economic indicators of the startups in countries comparing the favorable conditions and success factors to be implemented. Overall, this research contributes to the understanding of the startup landscape and depicts the insights, based on successful startup companies, into how the countries can foster innovation and economic growth through entrepreneurship.*

Keywords: *country's economy, creation of startup, funding, innovations, startup.*

Introduction

Entrepreneurship and startups are an integral part of the global economy, and they have gained significant attention in recent years. With the rise of technology and the internet, starting a business has become more accessible than ever before.

The aim of the article is to analyze the startup landscape in emerging economies and to provide insights into how these countries can foster innovation and economic growth through entrepreneurship.

The objectives of the article are to:

- discover the establishment of startups and their role in the economy;
- discuss advantages and disadvantages of creating a startup;
- analyze the creation and running of startups under the successful examples of companies in different countries.

The research period: 2016-2023.

Methodology of the research: scientific literature analysis, secondary data analysis.

In this research, focuses on the creation issues of a startup and the factors that have contributed to the growth of the startup ecosystem in different countries, the challenges faced by startups are examined, and the support provided by the government and other entities are analyzed. Additionally, examples of successful startup cases, highlighting the actions to be implemented are discussed by depicting the challenges and opportunities the companies have encountered.

Establishing a startup

A startup is rapidly growing firm due to its innovation in terms of products/services and processes through the aid of IT/ICT enabled services. The status of being a startup is contingent on the age as per its country's regulations (Italy < 5 years, India < 6 years, European countries except Italy < 10 years) (*Ehsan, 2021*).

Establishing a startup is an exciting and challenging process that requires careful planning and execution. One of the first steps in starting a new venture is to develop a business idea that fills a market gap or solves a unique problem. This requires thorough research and analysis to understand the needs of your target audience and to develop a comprehensive business plan. Building a team of skilled and passionate individuals is also crucial to the success of a startup. Finding people with complementary skills and experience will help one build a strong foundation and increase the likelihood of success (*Ish Studio, 2023*).

Securing funding is another key step in starting a new venture. Determining how much money entrepreneur needs and exploring funding options such as angel investors, venture capitalists, or crowdfunding will help to get started. Once entrepreneur has secured funding, it is important to build a prototype or minimum viable product to test business idea with potential customers. This will help the company refine its product or service and make necessary adjustments before launching. As one grows his startup, it is important to establish a brand identity that resonates with the target audience, continuously monitor business performance metrics, and adjust the strategy as needed to ensure the startup's success (*Ish Studio, 2023*).

Advantages and disadvantages for establishing a startup

The rising number of startups show the tendency of startups being an attractive form of new business. Therefore, the advantages and disadvantages of the startups will be discussed in the following part. The TRUiC Team reveals the main advantages of creating and running an own startup:

- Freedom and flexibility.
- Creativity. This means having the opportunity to get creative in your approach and really see how ideas come to life.
- Valuable relationships. Networking with other entrepreneurs, founders, and professionals can result in a community of motivated individuals who inspire.
- Personal growth. E.g. fine-tuning your communication skills to manage staff better and strengthening your problem-solving abilities.
- Positive impact. As a startup founder, person has the opportunity to make a positive impact on community and the world around you regardless of the type of startup has been founded (*TRUiC, 2023*).

Still, creation of a startup has drawbacks to face as well. These would be as follows:

- Never being off duty. A huge part of being an entrepreneur is being willing to dedicate yourself and your time to maintaining and growing your business.
- Stress and uncertainty. Adaptability and resilience are critical traits for an entrepreneur to be able to combat the stress and uncertainty of founding a startup.
- Self-doubt. There is a level of confidence that you need to have in order to start and maintain a successful startup.
- Financial risk. Founding a startup requires unavoidable financial risk (*TRUiC, 2023*).

As for disadvantages, the *Faster Capital* assume that businesses need to find ways to generate enough income to cover their costs, which can be difficult due to the low cost of land and other resources. Nevertheless, both, with their disadvantages and pluses, the startups can eventually grow into a successful business, generating high income, and creating the added value to the society (*Faster Capital, 2023*).

Startups in the economy of the Baltic countries

Latvian startup ecosystem is young and dynamic. It is big enough to ensure all advantages of a regional entrepreneur - friendly business hub, but it is small enough to provide

ample networking opportunities and a sense of belonging. The growth of this ecosystem has been facilitated by a range of stakeholders in the public and private sectors, non-profit organizations and academies (*Startup Latvia, 2020*). The number of startups in Latvia has increased significantly (three times) since 2016 - from 220 to 626 companies (in 2021), average annual growth – 23 per cent. The number of startups in Lithuania grew almost twice as fast as in Latvia - from 206 startups in 2016 to 1102 startups 2022 (average annual growth – 40 per cent) (*Factris.com*). As great examples of startups in Latvia, authors would like to mention companies Naco Technologies and Lande. In March 2022, Naco Technologies raised 1.5 million EUR to further develop its technology. The company creates specialized nano-coatings and new materials that replace the ones currently used in electrolyzers and fuel cells. By doing so, it would reduce significantly the cost of electrolyzers and fuel cells and facilitate the production and use of hydrogen. Lande is a Latvian startup that completed a 550,000 EUR pre-seed round in 2022. This crowdfunding platform helps small and medium-sized farms obtain capital from investors. Lande does so by using farmers' machinery, land, or future harvest as collateral. There are three categories of loans available: seasonal funding, machinery loans, and land buying. Only a limited amount of applications from farmers (around 5 %) are accepted (*Impakter, 2022*).

Lithuania is the second fastest growing startup ecosystem in Central and Eastern Europe from 2017 to 2022. It has grown 16.8 times in value in five years and is currently valued at 9.5 billion EUR (*Crespo, 2023*). “Dealroom” review shows that Lithuanian startups attracted 295 million EUR. The most significant impact on the level of investment attracted in 2021 was the Vinted deal, worth more than 200 million EUR (VC investment in Lithuania HQ and founded startups) (*Dealroom, 2023*). The impact of Lithuanian startups on the national economy is growing. Last year, the sector managed to attract over 2.5K specialists, and the average salary increased by more than 500 EUR (*Unicorns Lithuania, 2023*). Great examples of startups of Lithuania - Elinta Charge is a spinoff from Elinta Group. The startup raised 7 million EUR for its EV charging solution. Elinta Charge designs and builds EV charging stations. It also offers cloud solutions for EV fleet management. With the fast growth of electric vehicle sales in Lithuania and the ban on internal combustion engine-powered vehicles from 2035, there is a large space in the market of Elinta. Other Lithuanian startup Leafood completed a 6.45 Million EUR round in 2022. The company has built a vertical farming solution that is sustainable as it uses less soil and water compared to horizontal farming solutions. Furthermore, Leafoods cuts considerably the food supply chain as it is able to produce locally all year round (*Impakter, 2022*).

In Estonia, the emergence of startups had gained momentum earlier, so in 2016 there were already 406 of such companies, but the growth continued quite rapidly in the past years, reaching 1293 startups in 2021 (average annual growth – 26 %). Estonia ranks 1st in the world in terms of the number of startups per 1 million inhabitants (1107), slightly surpassing even Israel, which is especially strong in the field of startups (1070). Lithuania with its indicator (523 startups per 1 million inhabitants) and Latvia (315), according to the information provided by the authors of the study, are also in the top ten of the worlds (7th and 9th place, respectively) (*Factris.com, 2022*). Great examples of startups in Estonia: Solarstone is a startup from Estonia that completed a 10 million EUR round in July 2022. The company produces and sells solar panels. Solarstone's solar panels are specifically designed to interlock with roof tiles and don't waste any available space. In a critical moment for the European Union energy market, Solarstone solutions could increase the number of solar panels installed across Europe. Other startup eAgronom raised 6.4 Million EUR at the beginning of 2022. The Estonian ag-tech startup is a digital platform that helps farmers while reducing their greenhouse emissions. eAgronom assists farmers with crop management but also offers them a way to access the carbon credit market (*Impakter, 2022*).

Startups in India and Morocco: The Case of MakeMyTrip and WaystoCap

To analyze the challenges and solutions the startups face, two Indian and Moroccan companies were researched providing the insights on factors leading to success.

MakeMyTrip is one of the oldest travels startups in India. The inspiration for this startup came to Deep Kalra when he was booking a holiday in Thailand. He realized that the internet could offer more competitive prices by cutting out the middleman. MakeMyTrip's mission is to provide customers with a one-stop shop for all their travel needs by providing online travel services that include flight tickets, domestic and international holiday packages, hotel reservations, and rail and bus tickets. Headquartered in Gurugram (*StartupTalky, 2021*). As of 31 March 2018, they have 14 company - owned travel stores in 14 cities, over 30 franchisee - owned travel stores in 28 cities, and counters in four major airports in India. MakeMyTrip also has numerous international offices in New York, Singapore, Kuala Lumpur, Phuket, Bangkok, and Dubai (*StartupTalky, 2021*).

Launched in 2016, WaystoCap is a Moroccan B2B startup transforming e-commerce in the region. An online platform, WaystoCap, provides access to various products and services within Morocco and has made a significant mark on the Moroccan economy. With services ranging from finance and marketing to logistics and legal support, WaystoCap has empowered small Moroccan businesses to grow and expand (*Jackson, 2021*).

According to M. Jackson the platform also facilitates access to international markets for Moroccan entrepreneurs, thus enhancing their competitiveness. By reducing the cost of business operations, it has created a conducive environment for startups to thrive. WaystoCap has revolutionized the Moroccan economy by providing a multitude of opportunities for local businesses. Despite its success, WaystoCap faced numerous challenges in the Moroccan market (*Jackson, 2021*). According to Anyansi-Archibong's (2021) study, "The Foundation and Growth of WaystoCap in the Moroccan Market," initial resistance from potential customers unfamiliar with e-commerce and the prevalent reliance on traditional trade methods were major hurdles. Additionally, the limited access to capital constrained the company's ability to expand its services (*Jackson, 2021*).

However, WaystoCap turned these challenges into opportunities by leveraging its existing customer base, tailoring its services to meet customer needs, and offering valuable solutions. This resilient approach has proven that startups can overcome market adversities with the right strategies (*Jackson, 2021*).

By bridging the gap between small and medium - sized businesses and potential investors and suppliers, WaystoCap has fostered access to essential resources and information. The company has also capitalized on technology to create a secure digital marketplace, opening new avenues for businesses. Furthermore, by cultivating a network of willing investors and suppliers, WaystoCap is catalyzing investment in Moroccan startups. The online marketplace is expediting the growth of technological innovation in Morocco and setting a high bar for other startups. WaystoCap's achievements exemplify the potential within Morocco's blossoming tech sector and serve as an inspiration for startups aiming to make their mark (*Jackson, 2021*).

Conclusions

1. The world of startups is a fascinating and dynamic landscape that offers opportunities for innovation, growth, and impact. While starting a new venture can be risky and challenging, it can also be highly rewarding and fulfilling.
2. To succeed in the world of startups, entrepreneurs must be willing to take calculated risks, embrace uncertainty, and continuously learn and adapt to changing market conditions. They must also have a clear vision, a solid business plan, and a passion for their product or service.

3. Furthermore, startups require a supportive ecosystem that includes access to funding, mentorship, and networking opportunities. Fortunately, there are many resources available for aspiring entrepreneurs, such as startup accelerators, venture capitalists, and government programs.
4. The rising number of startups in Baltic countries show the tendency of startups being an attractive form of new business.
5. Based on the cases of Moroccan and Indian startups, it can be stated, that the key to success lies in the ability to combine government initiatives, provision of services to the local businesses and reduction of business operation costs. The capitalization on technology and establishing a network of investors and suppliers plays a vital role as well.
6. Overall, startups have the potential to drive innovation, create jobs, and solve some of the world's most pressing problems. While not all startups succeed, those that do can have a significant impact on society and the economy.

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