

## A STUDY ON CHALLENGES AND OPPORTUNITIES OF START UPS IN INDIA

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Under the Guidance of Head, Department of Management, Indus Valley Degree College, Bengaluru, India, positioned as the second most populous nation globally and currently in a phase of development, confronts the challenge of accommodating its vast population within its workforce. The exponential growth in population has consequently led to a scarcity of employment opportunities. In response to this critical issue, India has taken a proactive stance by initiating entrepreneurship programs within the country.

On August 15, 2015, Prime Minister Narendra Modi launched the "Start-up India" program, aimed at fostering awareness and enthusiasm for start-ups nationwide. Despite the widespread desire to establish businesses, many prospective entrepreneurs are impeded by resource constraints, including limited access to funds and a shortage of skilled manpower. As a result, a significant portion of recent graduates opts for conventional employment opportunities within established organizations. Nevertheless, a select group of individuals view these challenges as opportunities and embrace entrepreneurship as a means to address them. India actively encourages those with innovative ideas to embark on entrepreneurial journeys through its support for start-ups.

Start-ups play a pivotal role in creating job opportunities and driving economic growth. They contribute to employment generation, raise per capita income, and exert a positive influence on the economy as a whole. A primary challenge in commencing a start-up lies in securing funding for innovative products or processes. Nonetheless, numerous young individuals have effectively demonstrated their entrepreneurial talent by successfully establishing their own start-ups. Success in this endeavour hinges on possessing the entrepreneurial skills necessary to identify and seize business opportunities.

### **Objectives of Start-ups in India:**

Start-ups India is the dream project of our worthy Prime Minister Shri. Narendra Damodardas Mode aimed to strengthen the Make in India and Stand-up India project and place the Indian economy as a Developed, self-sufficient, and reliable economy globally. The start-up India scheme was launched in Jan 2016 with the following primary objectives: - (a) An entity shall be considered a Start-up:

- i. Create a pool of Job creators rather than Job Seekers
- ii. Increasing the employment rate in India by creating opportunities for developing and innovating products and services.
- iii. Reduces the regulatory burden on Start-ups, allowing them to focus on their core business and keep compliance costs low.
- iv. Provide equal opportunity to one and all to exploit their expertise and knowledge and convert their dream into reality.
- v. Provide financial support, marketing access and Regulatory support.
- vi. Build a robust ecosystem for promoting innovation and start-ups in the country

### **Review of Literature:**

Goyal Prakash (2011) discussed the improved situation of entrepreneurs compared to previous times. They emphasized the need for government intervention to raise awareness about start-ups. They also stressed the importance of designing start-ups with strong business skills to adapt to changing trends and environmental shifts. Madhavapaty & Rajesh (2018) identified challenges faced by HR Tech startups, including the lack of groundwork for employee adaptation and the difficulty of finding the right product-market fit in a market flooded with products and new technologies. Madhura Wagh (2016) highlighted entrepreneurship as a promising career option in India, attributing its success to government policies, educational initiatives, and training programs. Recommendations were made for liberalizing government policies, enhancing capacity through education and training, and fostering innovation.

The government's "Start-up India, stand up India" initiative was seen as a step toward implementing these recommendations, aimed at building a robust ecosystem to support innovation and start-ups, ultimately leading to significant job creation. NipunMalhotra (2018) addressed the need for Indian start-ups to focus on addressing community problems such as healthcare, sanitation, education, and transportation to gain success. Indian start-up ranked third globally in terms of attracting capital investment.

Solving these issues could have a substantial impact not only within India but also on a global scale, albeit requiring significant investments in technology and products, some of which may be sourced internationally. Y. Sharma conducted a study on women entrepreneurs in India, highlighting the myriad challenges they face, including social barriers, legal hurdles, lack of education, and limited family support. The study emphasized the interplay of push and pulls factors in shaping women entrepreneurs' confidence, determination, and their ability to overcome obstacles while establishing and managing businesses.

### **Statement of the Problem:**

The above literature points out the fact that studies have been made on Indian start-ups like problems and consequences faced by the Indian son account of starting new business. Most of the studies focused on programmes, procedures etc. Since there are no studies has not been done so far, on exactness of challenges faced by the businessmen and what are opportunities are exist in India. In this article we try to find out issues, challenges and what do the opportunities exist for Indian aspirants. Hence, the study is undertaken to fill the research gap.

### **Need for The Study:**

Start-ups are created to generate profits and secure local market share. Although small businesses also have the potential to grow into large companies, the driving force behind their growth is national and international expansion through larger teams, supply, manufacturing and distribution channels. But the COVID-19 pandemic has posed unprecedented challenges for the start-up ecosystem of India.

The Government of India has joined hands with various stakeholders to offer support to start-ups. They are trying to combat the pandemic using innovative solutions created by entrepreneurs, they are conducting webinars to offer strategic mentorship to start-ups, we are helping incubators go virtual. This study wants to highlights the challenges faced by start-ups and helps to know about the opportunities in the present situation.

### **Objectives of the Study:**

1. To identify the issues and challenges faced by Indian start-ups.
2. To analyze the opportunities for Indian start-ups

### **Research Methodology:**

The study is mainly based on secondary data and descriptive in nature. Hence, the study has been carried out by referring various journal articles, newspapers and websites.etc

## **CHALLENGES OF STARTUPS**

### **1. Financial Resources:**

Having access to financial resources is crucial for the success of start-ups. There are various avenues through which start-ups can secure funding, including venture capital, grants, loans, and crowd funding. The need for financial resources typically arises as the business begins to expand. Effective cash management is equally essential for the prosperity of start-ups.

### **2. Revenue generation:**

Numerous start-ups face failure primarily because they struggle to generate sufficient revenue. As these businesses expand, their operations grow, and expenses increase, often outpacing their reduced revenues. This situation compels start-ups to prioritize securing funding, diverting their focus away from the fundamental aspects of their business. Generating revenue presents a significant challenge, not only for initial sustainability but also for subsequent expansion and long-term growth.

### **3. Team members:**

Start-up ventures are typically founded by a group of individuals who trust each other and possess complementary skill sets.

In many cases, each team member specializes in a specific area of operation. It is crucial to form a strong and cohesive team, as failing to do so can significantly increase the risk of the start-up's failure.

#### **4. Supporting Infrastructure:**

Incubators, science, technology business development centres and other types of support mechanisms play a significant role in the lifestyle of start-ups. Lack of such kind of support mechanism leads to failure of start-ups.

#### **5. Regulations:**

Commencing a business entails obtaining various approvals from government departments. Despite noticeable improvements, obtaining company registration in India can still be a challenging process. There are regulations governing labor practices, intellectual property rights, dispute resolution, and other aspects of business operations that must be navigated as well.

#### **6. Lack of mentorship:**

A significant challenge that start-ups encounter is the absence of mentorship and guidance. While they may possess promising ideas, they often lack the industry knowledge and market experience required to navigate the path to success. This deficiency in mentoring and guidance is a major factor contributing to business failures. The determination of founders also plays a pivotal role in the success of start-ups. Founders must exhibit resilience and toughness when faced with adversity. The journey of starting a business is frequently marred by delays, setbacks, and unresolved challenges. An effective entrepreneur must remain steadfast and unwavering, refusing to give up until they achieve success.

#### **7. Creating awareness in markets:**

Start-ups often encounter failure due to their limited understanding of the market dynamics. The market is typically saturated with a myriad of unique products, posing a significant challenge for new entrants to differentiate their offerings.

#### **Lack of Knowledge Regarding Market Demand:**

In India, every state has a unique taste, culture, food habit, language and outfit. So, what is selling in Maharashtra like hot cakes might remain untouched in Tamil Nadu. A thorough knowledge of region-wise need and a practical market survey is of utmost importance before venturing into the perilous sea of start-ups. Location thus plays a key factor in the success. In this particular case, it's better not to stick to Steve Job's suggestion of not asking the customers, for people don't know what they want until you show them. One should remember, every start-up doesn't produce something as revolutionary as iPods. Marketing strategy comes under this same section.

#### **Talent:**

In start-ups employment is uncertain due to companies reaching scale and then downsizing for better efficiencies, the industry is saturated with such examples. However, this is a small problem as compared to finding the right skilled talent, and retaining the talent. Skilled talent is hesitant to join start-ups, as they have witnessed in the past mass firing and downsizing. Also, early stage or pre-series-start-ups have lesser pay than their corporate peers. Most start-ups in a bid to outgrow, hire inadequate talent without processes, and finally end up on the losing side.

#### **Funding:**

Raising the capital has been a long-drawn challenge for start-ups. Angel investment and seed investment is easier to find, as the amounts are smaller, it has gotten much tougher to go for later stage rounds, as companies burn too fast and do not look at unit economics. Raising funds has become more of a celebration; rather it should be of an entrepreneur making it to the start line of the race. Very limited funding is available in forms of larger cheques in India. In our eco system (India) we patronize the founder, and not the company, and sometimes the founder can be caught up in glamour of funding. Entrepreneurs should set the goals for the next 5 years and should not be obsessed with raising the funds. Apart from this above, there are top 10 challenges which are too faced by startups India scheme.



Source: An International Peer-Reviewed Open Access Journal of Interdisciplinary Studies

The Indian start-up ecosystem is facing several challenges despite recording an increase in the number of start-ups to 84,012 in 2022 from 452 in 2016, according to the Economic Survey Report 2022-23. The challenges include funding, revenue generation struggles and lack of access to supportive infrastructure.

The regulatory environment and tax structures have also posed hurdles for start-ups. To circumvent these challenges, many Indian companies are setting up bases overseas, especially in countries with favourable legal environments and taxation policies, the report highlighted.

The process of transferring the entire ownership of an Indian company to an overseas entity, including the transfer of all Intellectual Property and data owned by the Indian company, is called 'flipping'. Example: Companies like Google, Whatsapp, Walmart, True Caller, Amazon, Uber and others are providing UPI services.

Source: Economic Survey 2022-23: Indian start-up ecosystem faces several challenges, causing companies to 'flip'

## OPPORTUNITIES OF START UPS

### 1. India's large population:

India is the second largest population country in the world. The huge population in a country has also resulted in increased consumer spending. Which has improved supply and production.

Start -ups aims to serve to a large population by providing products and services. India's population is a very valuable resource for the country. The working age population is would excess the non-working population. Various infrastructure issues and the bottom of the pyramid market would allow more opportunities for the start-ups.

### 2. Insight of working class:

Traditional occupation paths will give process to Indian start up scene. Challenging tasks, good remuneration packages would captivate the talented people to start up. Hence it is observed that most of the high-profile peoples are resigning their jobs to work for start-ups

### 3. Revolution society:

India has the highest youth population which is very important source of innovation, talent and future leaders, education, health, infrastructure and the widening disparity between people are few issues that India faces, this provides available opportunity for start-ups to solve many issues.

### Limitations of the Study

- Due to time constraint, only secondary data could be collected on the Opportunities and Challenges of Start ups.
- The scope relies purely of available data on Internet, Newspapers, Journals and researches.

### Findings and conclusion:

In short, it can be seen that PM Modi's entire Action Plan offers various opportunities for all types of start-ups in India thereby aiming to give a small push to new innovative businesses and provide them assistance in establishing their business. The Government also aims to minimize regulatory barriers in setting up start-ups despite facing certain major challenges like elimination of unscrupulous entities. Apart from this, there are some other grave concerns relating to the certification of start-ups' "innovation" by Government authorities.

### CONCLUSION

India's current economic landscape is experiencing an expansion phase due to the implementation of liberal policies and initiatives aimed at fostering entrepreneurship. Programs such as 'Make in India,' 'Start-up India,' and 'Mudra,' among others, reflect the Indian government's growing commitment to boost GDP growth from the grassroots level. Within the realm of start-ups, numerous challenges exist, spanning from securing financing to managing human resources, and from the initial launch to sustaining growth. However, in a country with a vast population like India, there is an abundance of opportunities for startups across various sectors, including food, retail, hygiene, solar energy, and IT applications. These startups offer solutions to everyday problems at competitive prices. Some of these start-ups have the potential to achieve unicorn status, becoming globally recognized businesses with the capacity to expand into other developing and underserved regions, thereby making a significant impact on the international stage.

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