

## STARTUP INDIA: CHALLENGES AND PROSPECT

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### ABSTRACT

*Start-up India initiative works as a catalyst between the new entrepreneurs and a social change in the society by identifying opportunities and ceases them for economic gains, which leads to the development of society and helps improving living standards. Start-up ecosystem provides support facilities to the entrepreneurs for implementing their ideas into successful start-ups. But they have to face new challenges also i.e., Go To Market activities, government policy updates, product management, funding and talent stability, and availability.*

**Purpose:** *The purpose of this paper is to investigate the challenges faced by start-ups in India. This paper is intended to find the major difficulties faced by start-ups in India and how the government has overcome them over the years of initiative using a literature-based analysis.*

**Methodology:** *This paper is mainly based on secondary sources of data.*

**Findings:** *The major findings shows that 45% of start-ups feel that finding the right skilled talent is a key challenge, introduction of incubators and accelerators has been grown by 35% and plays a critical role in market access, government policy updates and awareness is also a key challenge but more than 56 active start-up policies launched by the government and product management is also one of the key challenges.*

**Keywords:** *Catalyst, Go To Market, Talent Stability, Product Management*

## INTRODUCTION

Start-up India is a flagship opening by the Government of India, aims to build a supportive ecosystem that is contributory for the growth of start-up businesses, to drive sustainable economic growth and generate large scale employment opportunities for the youth of our country. The Government through this campaign aims to empower startups to grow through innovation and design.

**As per the definition Notified in the Gazette of India vide G.S.R. 180(E) dated 17th February 2016, an entity shall be considered as a 'start up'-**

- a) Up to five years from the date of its incorporation/registration,
- b) If its turnover for any of the financial years has not exceeded Rupees 25 crore, and
- c) It is working towards innovation, development, deployment or commercialization

of new products, processes or services driven by technology or intellectual property;

Provided that any such entity formed by splitting up or reconstruction of a business already in existence shall not be considered a 'startup';

Provided further that in order to obtain tax benefits a startup so identified under the above definition shall be required to obtain a certificate of an eligible business from the Inter-Ministerial Board of Certification. A copy of the said notification is annexed

The potential of small businesses in job creation is well- documented, and is largely unarguable. However, it is most important to note that the trend toward the new-age start-ups is also inspiring innovation, decentralization of economic power, and broad-basin of economies. If the economies of scale and scope resulted in the multinational cooperation's flexibility, adaptability and low-cost business models of start-ups companies give them a massive

advantage over big business. It is, therefore, quite apt that Prime Minister Narendra Modi seized startups as a key part of his economic agenda and launched the Startup India, Standup India campaign on 15th August 2015

## LITERATURE REVIEW

**Kandasamy(2015)** addresses that Starting a small business is complex, time-consuming and life-altering. There are many more things that entrepreneurs have to do other than just providing the product or services for the business, however. entrepreneurs also are responsible for their business's finances, protecting their business and personal assets, managing employees and more.

**Salamzadeh and Kesim(2015)** have concluded that four major challenges faced by the start-ups are financial, human resource, the support mechanism, and environmental issues. They also extended that the start-ups lifecycle includes three main stages, which are bootstrapping stage, seed stage, and creation stage.

**Lothikumar, Shivprasad and Reddy(2016)**

addresses that the most important challenges faced by new entrepreneurs include Developing the Vision and Business Idea, Raising Capital for Start-up ,Assembling a Business Team, Finding the Right Business Location, Finding Good Employees, Finding Good Customers ,Dealing with competition, Unforeseen Business Challenges and Expenses ,Keeping Up With Industrial Changes and Trends, lack of support, negative mindset ,lack of marketing facilities, lack of infrastructural facilities etc. So it is necessary to overcome these challenges in order to conduct an efficient business.

**Sharifi and Hossein(2015)** have found that funding is a major concern for startups and small businesses. When the economy tanked, it made it harder to convince investors and banks alike to part with the cash that's essential for growth in the early days of business. Credit today is tight, and it's not clear precisely when it will become more readily available. Plus, there's a growing

trend of smaller initial investments in early-stage startups. Intensifying the challenge of raising funds, major leaps in technology have led investors to raise the bar in terms of how much legwork entrepreneurs are expected to do before even establishing their companies.

**Kumar(2018)** addresses that start-up arena has a lot of challenges ranging from finance to human resources and from launching to sustaining the growth with tenacity.

### **CHALLENGES FACED BY STARTUPS**

The government of India has taken diversified measures to improve the ease of doing business and is also building an exciting and enabling environment for the start-ups. However, many start-ups do not reach their full potential due to limited guidance and access. Prior research on challenges of start-ups addresses a number of common challenges among different start-ups (Shepherd et al., 2000). However, there are some common challenges, most of the challenges are

unique, and the extent to which they affect start-ups differs. Some of the main common challenges are as follows:

#### **Financial challenges**

Flawed business models and lack of innovative revenue strategies lead to the failure of many startups and they are forced to shut down operations. Capital and access to capital have been a perennial problem for start-ups. Any start-up can face financial challenges and issues at different stages of startup and for the long time (Colombo & Piva, 2008; Tanha et al., 2011; Salamzadeh, 2015 a, b; Salamzadeh et al., 2015

#### **Human resources: Talent Acquisition**

Startups normally start with one founder and few co-founders. As time goes by, they need to enlarge their team by hiring employees. Negotiating with employees is a very critical task to succeed and if the founder lacks enough knowledge of the field, the start-up might fail due

to human resource management issues, conflicts between them or inefficiency. (Salamzadeh, 2015 a,b; Salamzadeh, 2014).

### **Support mechanisms**

There are a number of support mechanisms that play a significant role in the

lifecycle of startups. These support mechanisms include investors,

accelerators, incubators, science and technology parks, mentors, small business

development centers, government bodies, etc.

Inability to access such support

mechanisms increases the risk of failure.

### **Go To Market Activity**

One of the Reasons for the failure of start-ups is improper planning and implementation of market strategy. While a supportive strategy could lead to successful sales and marketing plan and the successful launching of the new product.

### **Government Regulations**

Startups anticipate each and every prospects in order to improvise themselves. It is a very time consuming as well as a cost-efficient affair for them. In such a start government regulations updates can also be a challenge.

## **CHALLENGES ADRESSED BY THE GOVERNMENT OVER THE YEARS OF INCEPTION**

### **Financial challenges**

- While early and growth stage funding saw improvement, availability of seed stage funding continues to be a challenge
- Funding over the years has seen a decline, from \$4.9 Bn in 2015 to \$3.6 Bn(E)in 2017(*Zinnov Start-up Funding Analysis*)

### Human resources: Talent Acquisition

- 45% start-ups feel that finding the right skilled talent is a key challenge. (Survey Report by Athena)
- Skill India is an initiative by Government which aims to provide skilled training to entrepreneurs.
- NASSCOM, along with other industry associations are working towards improving the talent and skilling landscape

### Go To Market Activity

- Corporate actively running live POCs and providing market access to start-ups.
- Incubators / Accelerators (I/As) grew by 35% and play critical role in GTM activities of start-ups (*Zinnov Start-up Funding Analysis*)
- Government e-Market Place (GeM) is an online portal which helps the

entrepreneurs for finding the common place for procurement of goods and services by Government officers.

### Government Regulations and Policy

- More than 56 active start-up policies have been launched by the government in order to boost start-ups.

Some of the policies are as follows:

- ✓ MSME Market Development Assistance
- ✓ Biotechnology Ignition Grant(BIG)
- ✓ Single Point Registration Scheme(SPRS)
- ✓ Software Technology Park(STP)Scheme
- ✓ Pradhan Mantri Mudra Yojna(PMMY)
- ✓ Atal Incubation Centres(AIC)
- ✓ Infrastructure Development Scheme

- The Government has announced \$1.5 Bn corpora for funding Start-ups.
- However, 93% of start-ups say that they've not been able to realize any government benefits under Start-up India Policies
- However, the expected rise in the availability of Product Managers in India –set to increase to 68,000 by 2020 (overall India) (*Google & Accel Partner Report*)

### **Product Management**

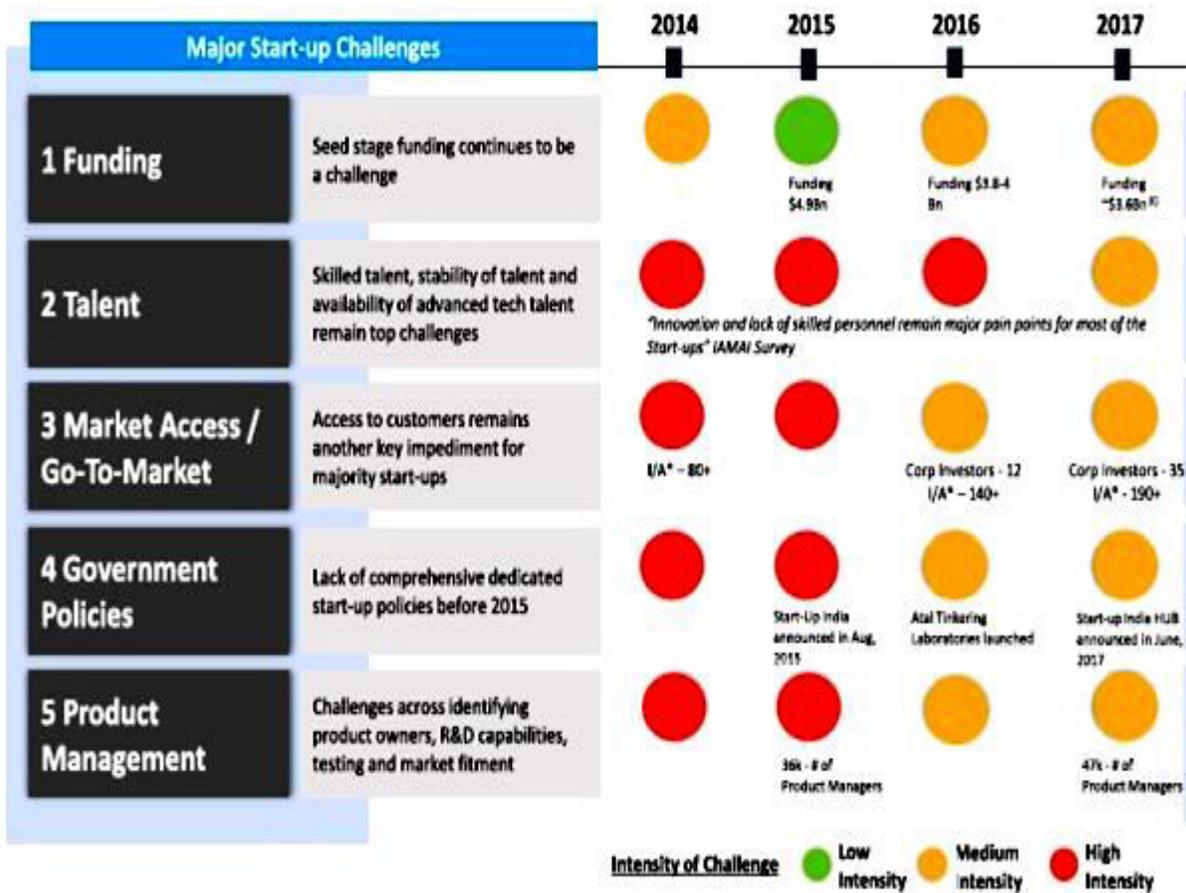
- Approximately more than 50% start-ups cite “Building Products” as the 1<sup>st</sup> challenge; 20% feel that “Minimum Viable Product” is another challenge (*NIT University Survey of Product Start-ups across the Globe*)

### **RESEARCH METHODOLOGY**

The objective of this paper is to investigate the challenges faced by start-ups in India and how the government has overcome or addressed them over the years of inception.

The study is based on the compilation of the secondary data. The secondary data required for the studies were collected from various reports published by the government and publications related to the topic under study.

DATA ANALYSIS



Source: NASSCOM Report 2017

The figure shows the intensity of challenges faced by the start-ups from low to high over the period of four years. The given figure has indicated that in the year 2014, the intensity was at high level but coming to 2017, it has gradually decreased to medium level.

## FINDINGS

It has been observed that 45% of start-ups feel that finding the right skilled talent is a key challenge, introduction of incubators and accelerators has been grown by 35% and plays a critical role in market access, government policy updates and awareness is also a key challenge but more than 56 active start-up policies launched by the government and product management is also one of the key challenges. It has been found that funding over the years has seen a decline from \$4.9 Bn in 2015 to \$3.6 Bn in 2017.

## CONCLUSION

This paper has made an attempt to find out the major challenges faced by the start-ups in India.

An overall challenge has been divided into five major heads: Financial challenges, Talent Acquisition, Market Access/Go To Market, Government policies and Product Management. This paper has also conceptualized how the government has addressed these challenges over the period of inception of start-up India campaign. The government is still trying to overcome the challenges by the introduction of various support facilities and supporting policies.

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