



## Startups India- Issues and challenges

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### Abstract

The Government of India's flagship project, Startup India, aims to foster startup culture and create a strong, welcoming environment for entrepreneurship and innovation in India. The Startup India project was announced by him. The Honorable Prime Minister of India, Narendra Modi, on August 15, 2015. The Indian government demonstrated greater faith in the nation's young, gifted citizens and created a new avenue for them to get ready to begin their initiatives rather than wait for employment. Innovations and new startups are crucial for bringing in foreign capital, making money, and establishing employment. India's startups encounter numerous obstacles. Since they introduce new goods, services, and technology to the market, startups are regarded as engines of innovation and economic growth. New businesses still have a lot of obstacles to overcome in order to thrive. They also have an impact on certain well-established companies. Young professionals are given the chance to take advantage of the market by creating a good or service that they think people want. Since the startup plan is still in its infancy, it will face numerous obstacles in its establishment. Financing, inadequate planning, hiring the right staff, the regulatory environment, and poor risk management are the main challenges.

**Keywords:** Entrepreneurship, economic development, startups, funding, innovation

### Introduction

There are many talented people in India. Young people, however, do not have many opportunity to realize their goals and aspirations. The Government of India's flagship program, Startup India, aims to foster a startup culture and create a strong, welcoming environment for entrepreneurship and innovation in India. He made the Startup India announcement. The Honorable Prime Minister of India, Narendra Modi, on August 15, 2015. The nation's flagship project seeks to establish a strong environment for fostering innovation and startups, which will propel long-term economic expansion and provide a significant number of job opportunities. Therefore, this program is a great way to get young people started on their path to success. Launched on January 16, 2016, the Startup India Initiative has implemented a number of initiatives to help entrepreneurs, develop a strong startup ecosystem, and make India a nation of job creators rather than job seekers.

The Indian economy which is highly becoming a market-oriented economy needs to emphasize on the entrepreneurial ability in a large scale. This requires that every talented individual either in self-employment or employed in companies have a quick access to resources. Apart from resources, the presence of facilities for an easy In and out from the various businesses will be helpful in nourishing the entrepreneur in country. Promotion of a competitive environment by reducing non-valid rules and regulations will enhance the spirit of the entrepreneur for doing their business. This way, India needs mechanism that can build a strong network of employment opportunities, and agricultural innovation. Startups are critical to the growth of an economy and are a prominent forcing modern economies. Startups are key drivers of economic growth because they combine technological innovation with economic rewards. India's current structures are unable to meet the demands of its people and establish itself as a global power. Entrepreneurship and startups are essential to a nation's status as a knowledge superpower. The Indian start-up

ecosystem is driven by a number of causes, including significant finance, technological advancements, demographic shifts, and other variables that provide doors for fledgling start-ups. India is changing as a result of the digital revolution and the growth of startups. India has emerged as a significant technology hub in recent years, providing exciting prospects for up-and-coming businesses to flourish and make a name for themselves globally through their innovative concepts and disruptive methods.

Startup India is about creating prosperity in India. Many enterprising people who dream of starting their own business lack the resources to do so. As a result, their ideas, talent and capabilities remain untapped – and the country loses out on wealth creation, economic growth and employment. Startup India will help boost entrepreneurship and economic development – by ensuring that people who have the potential to innovate and start their own business are encouraged – with proactive support and incentives at multiple levels. Indian government is serious in promoting entrepreneurship at the startup level and has taken a number of initiatives to ensure appropriate support. In this aspect it is relevant to mention 'Make in India' campaign introduced in September '14 to attract foreign investments and encourage domestic companies to participate in the manufacturing sector. The government increased the foreign direct investment (FDI) limits for most of the sectors and strengthened intellectual property rights (IPRs) protection to instill confidence in the startups. In order to make the country as number one destination for startups, Government of India (GoI) has introduced a new campaign called 'Standup India' in 2015 aimed at promoting entrepreneurship among women and to help startups with bank funding.

### Objectives of Startups in India

Startups India is the dream project of our worthy Prime Minister Sh. Narendra Modi aimed to strengthen the Make in India and Standup India project and place the Indian

economy as a Developed, self-sufficient, and reliable economy globally. The startup India scheme was launched in Jan 2016 with the following primary objectives: - (a) An entity shall be considered a Startup:

1. Create a pool of Job creators rather than Job Seekers
2. Increasing the employment rate in India by creating opportunities for developing and innovating products and services.
3. Reduces the regulatory burden on Startups, allowing them to focus on their core business and keep compliance costs low.
4. Provide equal opportunity to one and all to exploit their expertise and knowledge and convert their dream into reality.
5. Provide financial support, marketing access and Regulatory support.
6. Build a robust ecosystem for promoting innovation and startups in the country

### **Issues and Challenges of Startups in India**

#### **Financing of project**

Without the finance, a business cannot thrive or continue to exist. Most companies' ventures fail because they do not have enough money to meet their needs. Not every project has feasible or accessible means for obtaining the financing. Due to a lack of funding and an inability to access relevant sources, over 20% of the projects failed. However, there are also significant investment requirements. For startups to succeed, effective financial management is crucial.

#### **Lack of Planning**

For any endeavor to be successful, planning is essential. Every project's success depends on how its resources—staff, equipment, money, office space, and time—are used. It is practically difficult to guarantee that an organization distributes and uses resources in a way that is both suitable and cost-effective without adequate planning. Startups' ignorance of planning tools and procedures contributes to the project's failure. Thirty percent of Indian firms fail within the first five years of their launch due to inadequate planning.

#### **Hiring Proper Manpower**

Certain talents are essential for any business to thrive, and the success of any startup depends on identifying these skills' requirements and hiring the proper people who have them. The culture of a company, particularly a startup, is defined by the synergy of the team. People that share the same focus and have comparable skills come together as a cohesive group. Thus, hiring qualified applicants becomes crucial for a company, resulting in a flourishing team culture and organization. The market has a large pool of talent, and choosing the best applicant can be challenging. It is expensive to put off this process of identifying the best talent. However, hiring the wrong individual in a hurry causes bottlenecks and delays a lot of things in the business. Therefore, you must establish a hiring strategy from the outset and tailor each position to your desired outcomes.

#### **Regulatory Environment**

The government of India has introduced policies that aim to ease the startup business environment. However, the present regulatory framework in which startups operate is widely seen as complicated, inefficient, and unpredictable. Startups

in India often feel burdened by bureaucratic processes, which appear to lack underlying standards. They have insufficient possibilities to find information, and there is little planning security about how long methods can take. In addition, regulations can suddenly change, or startups receive random notices. As a result, startups must find frustrating workarounds, waste valuable time, or pivot their business model.

#### **Improper Risk Management**

Learning to deal with and plan for risk management is another crucial area of concern for the success of startups in India. Every project carries some amount of risk. While it's impossible to address and negate every possible risk from the beginning thoroughly, it is still essential to identify and account for significant risks within your initiative and take strides to minimize them and their effects on your overall outcomes and deliverables. Failing to hone a risk management strategy will mean surprises — often harmful— throughout the project. You will cope with the problems arising from these risks in realtime, leading to further problems, including extended timelines and stretched budgets. Most of the founders of startups in India lack the skills desirable for risk management. To execute their job, founders must understand the role and techniques of risk management.

#### **Conclusion**

India's economy is now experiencing expansion. With the introduction of liberal policies and initiatives for entrepreneurs, such as "Make in India," "Startup India," MUDRA, and others, the Indian government is becoming more and more eager to boost the GDP rate of growth from the ground up. "Make in India" presents a great opportunity for Indian start-ups. The government's emphasis on fostering entrepreneurship may prevent brain drain and create an atmosphere that makes it easier for new businesses to hire local talent. There are several obstacles in the startup world, from funding to human resources, and from launch to persistently maintaining growth. Given the size of the nation, there are several chances for entrepreneurs to offer goods and services that range from food, retail, and hygiene to solar and IT solutions for everyday issues that may be provided at reasonable costs. It is not out of place to remark that some of these startups would go on to become unicorns and, by entering other emerging and undeveloped nations, may become globally recognized companies.

Despite numerous obstacles, Indian businesses are thriving because of the government's all-encompassing backing. In addition to the federal government, some state governments are fully endorsing the scheme's expansion and modifying their legal frameworks to facilitate commerce. According to the government, the number of startups registered in the nation increased from 452 in 2016 to 84,012 as of November 2022. Additionally, it stated that India has a far greater startup success rate than other nations. After China and the United States, India has the third-largest startup ecosystem. According to a survey by tech-enabled NBFC Stride One, startups are predicted to increase their share of India's GDP from 2.5 to 3% to roughly 4-5% over the next three to five years. The government has recently launched a number of programs to assist startups. Investors and venture capitalists have shown a great deal of interest in the Indian startup scene. India outperformed several developed

economies in 2022 by adding a large number of businesses to the unicorn club. Another benefit is the shift in the nation's perception of startups. All things considered, India seems to have a bright future for startups.

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