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STARTUPS INDIA- ISSUES AND CHALLENGES

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Abstract:

Startup India is a flagship initiative of the Government of India, intended to catalyze startup culture and build a solid and inclusive ecosystem for innovation and entrepreneurship in India. He announced the Startup India initiative. Narendra Modi, Hon'ble Prime Minister of India, on 15 August 2015. The Government of India showed fuller confidence in the young talented people of the country and opened a new way to prepare them to start their projects instead of waiting for the job. An opportunity is provided to young professionals to capitalize on the space by developing a product or service for which they believe there is a demand. The startup scheme is in the nascent stage; therefore, it will confront many challenges in establishing itself. The significant difficulties are financing, Lack of planning, Hiring a proper workforce, Regulatory environment, and improper risk management. The present study is focused on evaluating the issues and challenges faced by startups in India. The study analyzes articles, web pages, books, magazines, etc., to determine the various problems and challenges faced by startups in India.

Keywords - Entrepreneurship, Economic Development, Startups, Funding, Innovation

I. INTRODUCTION

India is a land full of talented people. However, the youth does not have many opportunities to fulfil their dreams and ambitions. Startup India is a flagship initiative of the Government of India, intended to catalyze startup culture and build a solid and inclusive ecosystem for innovation and entrepreneurship in India. He announced the Startup India initiative. Narendra Modi, Hon'ble Prime Minister of India, on 15 August 2015. The flagship initiative aims to build a robust ecosystem for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large-scale employment opportunities. Thus, this campaign is an excellent kick-start for the youth to accomplish their goals. This program was launched on 16 January 2016; the Startup India Initiative has rolled out several programs to support entrepreneurs, build a robust startup ecosystem and transform India into a country of job creators instead of job seekers. These programs are managed by a dedicated Startup India Team, which reports to the Department for Industrial Policy and Promotion (DPIIT).

II. MEANING AND DEFINITION OF STARTUPS

There is no clear definition of the term startup as it is still evolving due to complexity and subjectivity. In common parlance, the term startup refers to a company in the first stages of operations. Which want to develop a product or service for which they believe there is demand.

The Department of Promotion of Industry and Internal Trade (DPIIT), The Ministry of commerce and industry, and The Government of India tried to define the term startups vide its notification dated 19 February 2019. As per this notification, a startup is defined as: - An entity shall be considered a Startup:

- i. Upto ten years from the date of incorporation/ registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India.
- ii. The entity's turnover for any financial year since incorporation/ registration has not exceeded one hundred crore rupees.
- iii. The entity is working towards innovation, development or improvement of products or processes or services, or it is a scalable business model with a high potential for employment generation or wealth creation.

In brief, a startup can be defined as an entity that is headquartered in India, which was opened less than ten years ago, and has an annual turnover of less than ₹100 crore

III 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:

- 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 Startups, 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 startups in the country

IV STARTUPS JOURNEY IN INDIA

The startups India scheme was launched in Jan 2016. The effects of the scheme or journey of startups in India can be understood from the under-mentioned data or the details regarding the scheme till Nov 2022.

S.No	Particulars	Data
1	The number of startups recognized by DPIIT is	84012
2	The number of jobs provided by startups is	10.4 lac
3	The Investment made through the Funds of Fund scheme is	11305 Crores
4	The total number of Districts covered by startups is	623
5	The number of startups which claimed exemption under section 80-IAC of the Income tax act is	1035
6	The number of orders received through GeM	1.42lac
7	The amount involved in orders through Gem	8200Crores
8	The number of users enrolled in startup India L&D Programs is	4.8 Lac

V THE ISSUES AND CHALLENGES OF STARTUPS IN INDIA

A. Financing of project

Finance is a vital component without which a company neither survives nor grows. In startups, most projects suffer due to insufficient funds to meet the project requirement. The options for procuring the funds are neither accessible nor viable for every project. Almost 20% of the projects failed due to scarcity of funds and the inability to tap the available sources. At the same time, the investment requirements are enormous. Proper cash management is essential for the success of startups.

B. Lack of Planning

Planning is crucial to the success of any project. The success of every project is based on resource use, including staffing, equipment, budget, office space, and time. Without proper planning, it's nearly impossible to ensure an organization allocates and uses resources cost-effectively and appropriately. Lack of knowledge of tools and techniques of planning among the startups leads towards the project's failure. Due to poor planning, 30% of startups in India fail within the project's first five years.

C. Hiring Proper Manpower

For any business to survive and grow, specific skills are crucial and knowing these skills need and getting on board the right people possess them determines the success of any startup. The team's synergy defines an organization's culture, especially a startup. Individuals with similar capabilities and identical focus form a cohesive unit. So, it becomes imperative for a startup to hire suitable candidates, leading to a thriving team culture and organization. A vast pool of talent is available in the market, and selecting the right candidate is tricky. Any delay in this process of finding the right talent is costly. On the other hand, making haste and hiring the wrong person creates bottlenecks and stalls many things in the company. So, you have to lay out a hiring strategy right in the beginning, and each role has to be carved to fit the goals you want to achieve.

D. 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.

E. 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.

VI CONCLUSION

Besides many challenges faced by startups in India, Indian startups are doing good due to comprehensive support from the Government of India. Besides the central government, various state governments are also extending their full support for the growth of the scheme and accordingly changing their laws to provide ease of business. The government recently said there were 84,012 startups registered in the country till November 2022, up from 452 in 2016. It also said the success rate of startups in India was much higher than in other countries. India is the third-largest startup ecosystem, behind only the US and China. Startups are expected to contribute about 4-5% to India's gross domestic product over the next three to five years, up from 2.5-3%, according to a report by Stride One, a tech-enabled NBFC.

Recently, the government has been supporting Startups with several initiatives. There has been a keen interest among venture capitalists and investors in the Indian startup scenario. In 2022 India added many startups to the unicorn club, beating many established economies. The change in the mindset of the people in the country towards startups is one more added boon. Overall, the future for startups appears to be positive in India.

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