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“INDIAN STARTUP: NEW OPPORTUNITIES & CHALLENGES FACED BY ENTREPRENEUR”

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Abstract:

Start-ups companies are newly founded companies or entrepreneurial ventures that are in the initial phase of development. Start-ups are the one who working towards innovation, commercialization of new product or services. This research study, analyzes the entrepreneurship environment through specifically focusing on startups and innovation. It will try to investigate the main challenges that startups and Challenges Faced by Entrepreneur.

Keywords: *Entrepreneur, Startup, Opportunities, Challenges.*

I. INTRODUCTION:

Start-ups companies are newly founded companies or entrepreneurial ventures that are in the initial phase of development. They are most commonly associated with high-tech projects, development and production, distribution of new products, process or services. Start-ups are the one who working towards innovation, development, and commercialization of new product, process or services driven by technology. Start-ups may be a new venture within the sort of organization, which is means for scalable business. They are created in the process of development of new product and process. The base of start-up is innovation where entrepreneur comes up with an innovation idea that can be commercialized and generate social benefit. Being small in size and new within the business, they often find difficult to arrange funds for his or her functioning. The start-up is belonging to different fields.

Many young individuals have displayed their entrepreneurial talents in most effective manner by establishing their own start-ups. Any business idea to become successful requires entrepreneurial abilities to foresee business opportunities, gathered required resources meticulous planning and implementation. Along with these, one needs to consider uncertainty and challenges involved in the selected business idea.

Start-up Company is designed for scalable business model for innovative product and processes. They can be found in all forms and sizes. The main challenge in starting a start-up company is to funding for an innovative product or process, that the way we live our life. Since start-up companies focus on a new product or process, often they find it difficult to convince investors to invest in their idea. Investors tend to weigh the start-up company with respect to potential rate of return in less time. They are attracted to new companies, which are distinguished, by their risk/ reward profile and scalability. Start-up companies focus on the innovative idea to make their mark in the competitive market. It is important for any person who wants to start a start-up to know about the different sources where money can be raised. A start-up cannot function unless adequate funds are made available to it. The initial capital contributed by the entrepreneur is not always sufficient to take care of all financial requirements. A business person, therefore, has to look different other sources from where the need of the funds can be met. A clear assessment of the financial needs and the identification of the various sources of finance, therefore, is a significant aspect of running a start-up. The need for funds arises from the stage when an entrepreneur makes decision to start start-up. Some funds are needed immediately for the purchase the plant and machinery, furniture and the other fixed assets.

II. LITERATURE REVIEW:

- **Madhvapathy & Rajesh (2018)** addressed the Challenges of HR Tech Startups such as failure to lay groundwork for adoption by employees. While there are diverse products and technologies in the market, the core challenge is to find the right product-market fit.
- **Nipun Mehrotra (2018)** said that The Indian start-up community, ranked third globally in terms of number of start-ups, has been creating new job opportunities and attracting capital investment. We believe that start-ups need to focus on societal problems, including healthcare, sanitation, education, transportation, alternate energy management and others, which would help deal with the issues that India and the world face. These require investments in deep technology and products, which are built to scale globally.
- **Madhura Wagh (2016)** in her research paper title “Government initiative for Entrepreneurship development- Start up India Stand up India” writes “In India Entrepreneurship is less desirable career choice. Government policies and programs, education and training are regarded as main constraining factors for entrepreneurship. Recommendations were directed towards liberalization of government policies, capacity building through training and education, restructuring through incentives and tax structure to promote entrepreneurship and increased investment in research and development through growth in innovation. To address these recommendations ‘Start up India Stand up India’ initiative is announced by government. It is an initiative by government ‘to build strong eco system for nurturing innovation and startups in the country that will derive sustainable economic growth and generate large scale employment opportunities”.
- **Badra, Shailja, and Sharma Vivek (2016)** in their research paper title “Startup India- New Opportunities For The Entrepreneur” write “The success of Startup India campaign hinges on initiatives like faster and easier registration of Companies, self-certification for many legal requirements, zero inspection for three years, funding for patents, and speed of patent protection. It is important to add provisions which aid the closure of dead companies within 90 days. Indian lawmakers could do this under the new bankruptcy bill. The central theme is that ease of starting and ending is critical in the context high rate of startup mortality. The Government proposal do so, across Universities, innovation movements, research parks and industry parks is on similar lines. The promise of an initial capital of ten thousand crores over a period of four years from the government is capable of attracting tenfold investment by 2022. Credit guarantee for startup lending is the booster dose

required to galvanize Indian industry. Incentives in the form of tax holiday for three years are a benefit worth considering.”

- **Grant Thornton for ASSOCHAM India (2016)** writes, “Startups have been the flavor of the season over the last few years for the Indian markets. This has resulted into the emergence of a number of home grown unicorns across the country. One of the major contributors leading to this development has been the mega funding that has been ploughed into most of these unicorns between the period 2007 and 2015. This has been in line with the global trend dominating the space. Even the aspiring unicorns have had a decent run during this period, where managing to find investors is usually considered a tough task. The trends of investments suggest that investors want to enter as an early investor, even before the start of the firm. From an overall viewing, India comes across as a thriving under-penetrated consumer driven market with a scope for exponential growth. Internet penetration and its increasing importance will drive most of the businesses. On account of the consumer demographics, with China being out of bounds, India offers the largest pie of investment opportunity that the world is eyeing.”
- **Uruba Andaleeb, and Dr. S. D. Singh**, In their research paper title “A study of Financing Sources for Start-up Companies in India”(2016) explain that “Before the recent hysteria of Startups, India was mostly popular as an IT outsourcing destination that provided cheap and easy labor to the global companies for carrying on various back- end jobs. Technology startups in India date back almost three decades. On compilation of the Industry’s major landmark, Microsoft Accelerator in India came up with four distinct phases of growth and maturity that have traversed so far: software services and global delivery model, the dotcom era, the rise of product startups and growth of startup ecosystem.
- **Nishith Desai Associates (NDA) (2016)** explains “A startup is faced with a number of issues that have to be dealt with in order to grow into a successful organization. Apart from planning the most effective business strategy for the company, the startup needs to look at the regulatory environment, various legal issues, and the laws of the country where the start-up is proposed to be set up. In addition to this, the startup will also need to examine the regulatory and tax regimes of locations it plans to do business in. In many instances, structuring the correct set up for a startup helps to prevent future complications, and mitigate regulatory and tax risks at a future stage when the startup is nearing maturity perhaps the first step a startup needs to take is to determine how it will be setup, from where the seed investment required to set up the startup entity needs to be brought (colloquially referred to as “Structuring”) and what sort of entity it would like to function as. For certain professions, this may be limited to partnerships though the preferred entity tends to be a company. Incorporating a company requires certain steps, which we deal with in this paper.”
- **Sharifi Omidand Hossein, Karbalaei, Bentolhoda**, In their research paper title “Understanding the Financing Challenges Faced by Startups in India” (2015) explain “India is a country in South Asia. It is the seventh-largest country by area and the second-most populous country with over 1.2 billion people. Large population implies a large potential market in India; however, it also leads to heavy employment pressure in Indian society. In recent years the self-employment consciousness among college students are increasing and the students are less likely to rely on parents or schools or wait for opportunities. Instead, they tend to take initiative to look for new chances for themselves. Many businesses start with a dream, but it takes more than just a dream for them to grow into successful businesses—including the tenacity to overcome the many challenges facing startups today. Startups take time, effort, and energy. Funding is a major concern for startups and small businesses.

- **Caliendo, Kunn, Wiebner and Hogenager (2015)**, finds the difference between subsidized start-ups out of unemployment and non-subsidized start-ups out of non-employment. It reveals that the initiator of the subsidized start-ups have no lack of conventional education. Although they have less employment and less exposure to the industry and finally they concluded that the wealth stock restriction among the unemployed in respect to availability of personal equity and outbreak of loans is the major constraint.
- **Sharma (2013)**, made a study on women entrepreneurs in India. She concluded that women entrepreneurs face many problems like social barriers, legal aspects, lack of education, family support etc. She also explained the various factors like pull and push factors affecting entrepreneurship. According to her women have the probable and firmness in setting up the enterprise and fighting against the all odds.
- **Goyal, Prakash (2011)**, in their research paper concluded that at present the position of entrepreneur is better than before. Economies are taking the efforts to make and enhance the entrepreneurship. Government is providing the awareness and necessary steps are being taken up by them. Start-ups must be configured properly with the business expertise to encounter the latest trends and changes in the environment and capable enough for aspiring the supremacy in the entrepreneurial coliseum.
- **N. Bosma, M. V. Praag, R. Thurik and Wit (2002)** has presented a detailed study of firms investing in the human and social capital for improving the performance. They also explained that one cannot be sure about the favorable aspect is due to investing or somewhat due to the innovative entrepreneurs put more in their human and social capital. They also found that the individual entrepreneur who are more skill full in the industry perform better than the others and finally, they conclude that investing in human and social capital increase the entrepreneur's performance.

III. OBJECTIVE:

1. To know the various issues and challenges faced by the start-up company.
2. To analyze the opportunities for the start-up company.

IV. RESEARCH METHODOLOGY:

This research paper is essentially focused on the challenges faced by the start-up. This research is predicated on the secondary data that has been collected through the books, various websites, newspapers, research papers etc. After referring various case studies and observing existing start-up management practices researcher has made own analysis and elaborated on various critical challenges faced by Start-up Company.

V. SCOPE OF THE STUDY:

Startups have played and still play significant roles within the growth, development and industrialization of the many economies everywhere the planet. Startup is flagship initiative of the govt. of India, intended to make a strong ecosystem for nurturing innovation. Startup will drive sustainable economic process, generate large scale employment opportunities, and minimize unemployment.

VI. OPPORTUNITIES FOR START-UPS:

In spite of challenges and problems that startups face, Indian markets provide a plethora of opportunities to seek out solutions tailored to unravel them. Below may be a list of few of the opportunities that are discussed for consideration by startups.

1. Change of Mind Set of Working Class:

Traditional career paths are going to be giving thanks to Indian startup space. Also, it's seen that several status executives are quitting their jobs to start out or work for startups. To reinforce the trend being seen, a survey conducted by Economic Times also confirmed that the amount of scholars joining startups and e-commerce companies has grown considerably within the recent year.

2. Education and Training:

Knowledge being power, on the one hand, and Government's increasing emphasis on spreading education, on the opposite, there's an honest demand for education and online tutorial services within the country. Need-based educational programs with innovative teaching methods can help in a big way make education develop and flourish as an industry in the country.

3. Innovate India:

Towards this end, the government has pushed for the utilization of digital technologies through initiatives like the National Programme on AI and therefore the establishment of nine centers of technological excellence.

4. Media:

The media industry has also huge opportunities to supply to young entrepreneurs. With the large growth of this segment, any business during this field will help entrepreneurs reap huge benefits. Television, advertising, print and digital media have seen a boom in business within the recent times and is probably going to grow more in coming times.

5. Infrastructure and Resources:

An estimated 100+ Startup Incubators across the country, mostly housed in academic institutions; this number is probably going to cross 300 by 2020 — what this suggests, is that, there will be a startup incubator in every state, city, and city within the country; thereby enabling entrepreneurs to access resources and solve problems in their local areas. Next, we have Co-Working spaces that are growing at an exponential rate and this is often likely to end in entrepreneurs having access to office spaces in their neighborhood.

6. The population of the country:

This is a known incontrovertible fact that India features a very large population, which is growing day by day. Moreover, most of the Indians belong to the category of bourgeoisie income groups. As a result, an enormous consumer base gets formed within the country. This opens up the opportunities for the startup ventures, which can focus on attracting huge number of consumers in India.

7. Investments by foreign and domestic investors:

In the past few years, there has been an increase in both domestic and foreign investments on entrepreneurial ventures. India is taken into account to be one among the main attractions for investment by the foreign investors. This is a huge opportunity for various startups in India for growing their business further.

8. Changing of mindsets:

Nowadays, most of the people have given up the traditional mindset of earning only through jobs. Many young people have started showing interest in starting their own business with the help of latest technology and innovations. This has resulted within the development of various startup ventures within the country.

9. Increasing initiatives by the Government:

The Government of India has adopted various measures and policies for encouraging and developing the startups in the country.

VII. CHALLENGES FOR START-UP:

Turning a start-up into a hit is not a simple task. Many factors got to be considered while starting a replacement start-up. If an entrepreneur is functioning on some business idea on first time, he or she may face challenges, which are given below. Prior research on challenges of startups addresses variety of common challenges among different startups. However, there are some common challenges, most of the challenges are unique, and therefore the extent to which they affect startups differs.

1. Idea conceptualization and implementation:

Many people think that funding is the biggest challenge for start-ups, but more important than that is putting the idea into reality. It means making a blue print of the business or start-up plan.

2. Financial Challenges:

As mention earlier, finance is the integral part of the start-up process. . Any start-up would face financial issues and problems for several reasons and in several stages. For instance, while bootstrapping the founder negotiates with relations and friends to convince them to take a position in his/her idea. He/she invests within the business, and since the thought is in its early stages, he/she might need extra money to expand it. Afterwards, within the seed stage, founder should search for angel investors and convince him/her with reasonable valuation plans.

3. Human Resources:

Startup normally starts with one founder or some co-founders. As times goes by founder needs more experts to develop the prototype etc. Then he/she negotiate with people, make team and finally hire employees. This process is so critical to succeed and if the founder lacks enough knowledge of the field, the start-up might fail, due to human resources management issues.

4. Support mechanisms:

There are varieties of support mechanisms that play a big role within the lifecycle of startups. These supports mechanisms include angel investors, science and technology parks, small business development center, venture capitals etc. Lack of access to such support mechanisms increases the danger of failure.

5. Creating Awareness in Markets:

Start-ups fail due to lack of attention to limitations in the markets. The environment for a startup is usually more difficult than for an established firm due to uniqueness of product. The situation is harder for a replacement product because the startup has to build everything from scratch.

6. Lack of Mentorship:

Lack of proper guidance and mentorship is one among the most important problems that exist within the Indian startup ecosystem. Most of startups have brilliant ideas and/or products, but have lit or no industry, business and market experience to urge the products to the market. It is a proven example that an excellent idea works as long as executed promptly. Lack of adequate mentoring/guidance is that the biggest challenge which could bring a potentially good idea to an end.

7. Environmental elements:

Many startups fail thanks to lack of attention to environmental elements, like the prevailing trends, limitations within the markets, legal issues, etc. While a supportive environment facilitates the success of startups, a maleficent one could result in failure. The environment for a startup is even harder and important than for a longtime firm.

8. Exceed Customer Expectations:

The next most vital challenge is gauging the market need for the merchandise, existing trends, etc. Innovation plays a crucial role, since, that the startup has to fine-tune the merchandise offerings to suit the market demands. Due to new technologies that are emerging, the challenge to supply over and above an earlier innovation is pertinent. The biggest challenge is that the got to constantly reinvent yourself and is available up with a service to be ready to match up customer expectations and exceed them.

9. Team Members:

To find and hire the proper quite talent for the business with skills to match growing customer expectations are one among the most important challenges. Usually, each member is specialized in a specific area of operations. Assembling an honest team is that the first major requirement, failure to possess one sometimes could break the startup.

10. Competition:

One of the biggest challenges faced by the start-ups is the competition. They need to be very cautious also as aggressive while designing the market strategy. It is more threat if one is entering into established markets or trying to establish oneself into existing product. They need to be flexible as well as innovative at framing various policies in term of offering, pricing, etc.

11. Lack of a good branding strategy:

Absence of an efficient branding strategy is another issue that forestalls startups from flourishing at a faster pace. The branding demands paramount attention as it gives an identity and occupies a space in the consumer minds.

12. Revenue generation:

Several startups fail thanks to poor revenue generation because the business grows. As the operations increase, expenses grow with reduced revenues forcing startups to consider the funding aspect, thus, diluting the main target on the basics of business. The challenge is not to get enough capital but also to expand and sustain the expansion.

13. Regulations:

Starting a business requires a number of permissions from government agencies. Although there is a perceptible change, it is still a challenge to register a corporation. Regulations concerning labor laws, property rights, dispute resolution etc. are rigorous in India.

14. Talent:

In India, only a few are able to hand over the comfort and security provided by their jobs to become entrepreneurs. Hence, it becomes difficult for startups to draw in and retain quality talent – since people generally do not want to quit their jobs at larger companies to travel and work for a startup.

15. Education:

India remains lacking during a proper startup ecosystem to require full advantage of the opportunities up for grabs today. Other than a limited number of top business schools within the country, most educational institutions fail to supply the required support and resources for his or her students to enjoy free-form thinking, and take up entrepreneurship.

16. Tenacity of founders:

Founders of startups have to be tough when the going gets tough. The entrepreneur must be persistent, persuasive and will never hand over until he/ she achieves desired results.

17. Funding:

Lack of funding is one among the main issues being faced by startups in India today. Add to that the shortage of state support, in terms of policy approvals, bureaucratic red-tape, and slow decisions by committee mentality – this poses an enormous challenge for Indian startups.

18. Vision:

Most Indian startups lack the long-term vision and leadership to sustain and grow their business over the long run; an excessive amount of emphasis is given on quick monetary returns rather than innovation – a situation that is not helped by the VCs/angel investors for these startups, either.

19. Infrastructure:

The infrastructure in India leaves much to be desired – poorly planned roads, inefficient logistics, quality of Internet service, issues when it involves water and electricity, among others, all contribute adversely to the startup ecosystem in India today.

20. Compensation:

Indian startups, compared to their peers in other startup hubs, are generally reluctant in paying their employees in terms of industry standards; they typically blame the economy/recession as a neighborhood of these “cost-cutting measures”, while on the opposite hand, the workers are overworked and underappreciated. This results in substandard performance by the employees, and in turn, the company as a whole.

21. Mentorship:

The startup ecosystem in India faces a significant dearth of excellent mentoring and a network India does not have an outsized pool of successful entrepreneurs who have built successful companies from scratch, and are willing to mentor subsequent generation of entrepreneurs. Many entrepreneurs are trying to find good mentors – as against funding.

VIII. CONCLUSION:

Start-up India was launched to provide a very promising future to the entrepreneurs of the country. The initiatives introduced were in great favor to make start-ups successful. This paper attempted to analyze the benefits and challenges faced by the start-up. According to the research done, we can conclude that the initiative of the government brought a deep and last longing positive spirit in the country for all people young and old who wanted to pursue their dreams of having their own successful start-ups.

The startups in India tend to have lot of opportunities for growing their business. Even if they face issues and challenges, they should try to cope up with these hurdles in a well efficient manner

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