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New Startup In India-Its Opportunities And Challenges

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The Indian government in 2016 began an initiative called – Startup India to help create an enabling environment for entrepreneurs. Startup India provides support in three areas: it provides subsidies and assistance financially, it reduces regulatory burden, and it helps provide an environment for industry-academic partnerships by establishing bootcamps and innovation labs. However, the funds of Startup India have been invested in less than 1% of all Indian startups, meaning most of them still depend on private funding. Additionally, the distribution and funding for these startups are highly concentrated in large urban cities with few options for those in rural areas. There is a disparity of investments among different sectors as well, with IT-enabled technology sectors attracting most of the funding. The success of the entire ecosystem depends on the diversification of investments into sectors like agriculture, healthcare, education, and social services. This paper discusses few issues and challenges that an Indian startup has to face and the opportunities that the country can provide in the current ecosystem.

Key words: Entrepreneur, Employment, Finance, grants ,fund

1.Introduction

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. In the words of Prime Minister, Narendra Modi: Startup India is a revolutionary scheme that has been started to help the people who wish to start their own business. These people have ideas and capability, so the government will give them support to make sure they can implement their ideas and grow. Success of this scheme will eventually make India, a better economy and a strong nation. According to data from the Department of Economic Affairs, as of August 27, 2021, foreign exchange reserves in India reached US\$ 633.5 billion mark.

Currently a clear definition of a Startup' does not exist in the Indian context due to the subjectivity and complexity involved. Considering various parameters pertaining to any business such as the stage of their lifecycle, the amount and level of funding achieved, the amount of revenue generated, the area of operations, etc. some conceptual definitions are available in the public domain. These have been sourced and enumerated below to provide an indicative understanding on the space to the reader. The Department of Industrial Policy and Promotion (DIPP) is also working around a clear definition for startups and is expected to make it public in due course.

Definition of startup

A startup business is defined as an organization:

1. Incorporated for three years or less
2. At a funding stage of Series B or less

An entrepreneurial venture/a partnership or a temporary business organization

A startup is defined as a business that:

1. Engages in development, production or distribution of new products, processes or services
2. New and existence for not more than five years
3. Revenue of up to INR 25 cr.

Not formed through splitting or restructuring

Review of literature

Abhishek Sinha, the Co-Founder and CEO of Eko India Financial Services was of the view that the Prime Minister seated with entrepreneurs on a national platform are very positive signals. However, small problems such as bank funding in the lack of any collateral turn out to be big roadblocks for many entrepreneurs. He stated that we cannot have a long list of intangibles in our balance sheet. There has to be an acknowledgement that IT products are being created. Banks are careful while giving out loans. When we started out, we had to depend on loans and credit cards. According to Jayant Sinha, Minister of State for Finance at present, 90 percent of funding comes from foreign venture capitals and domestic financiers could change the nature of innovation as well. In a recent study by Grant Thornton it was revealed that in 2015 more than 600 such companies got funding, with over \$2 billion deployed by PE and VC funds. Ramesh Abhishek, Secretary of DIPP stated that the Government could still benefit from more learning. He said that there have been tax benefits and provisions of funds have been launched. Government is making some tweaks so that it makes Startup India easier. According to him, the government has a long way to go. It has been a great learning experience even for the Government. He said that they themselves had to understand a lot of things in regulations and startups are the next big thing and they want to engage with startups.

Research Methodology

The study is based on the secondary data which has been collected through journals, magazines, newspapers, research papers, books and websites etc.

Objectives of the Study

1. To examine the various issues and challenges of startups
2. To identify various government initiatives for the development of startups.
3. To analyze the growth and opportunities of startups

Challenges of startup in India

1. Issues Emanating From Regional Imbalance: India is a highly diverse country with a plethora of cultures, languages, ethnicities and religions. Due to this, the startups' understanding of them is often limited to certain regions. In that sense, comparative advantages are linked to specific regions.

2. Digital Divide: As nearly 70% of the Indian population lives in rural areas, the customers of the mass market tend to come from low-income backgrounds in villages. This often discourages many startups to come up with a pan-India approach.

3. Issues of Funding: For running a startup, a significant amount of working capital is required. Many startups, especially at early stages, are bootstrapped, i.e. self-funded through the founders' own savings, or using capital from friends and family.

4. Hiring Challenge: For many job-seekers, joining a startup as an employee is not an attractive career option, due to the inherent risk that the startup might fail. In addition to this, many job applicants are not sufficiently skilled. Startups see a gap between the knowledge taught to students in colleges and the knowledge needed for the jobs, especially in sectors in which technologies change at a fast pace.

5. Complex Regulatory Environment: The government of India has introduced policies that aim to ease the business environment for startups. However, the present regulatory framework in which startups operate is widely seen as difficult, inefficient and unpredictable.

Opportunity for startup in India

1. India's Population

The population of India is a huge asset for the country in the next few years. By 2020, it is supposed that the nation will be experiencing a "demographic bonus" period, where the working age population would surpass the non-working population. This unique demographic advantage will offer a great opportunity to any firm or organization trying to become successful and create a dominant position in the Indian market. And, therefore it comes as no surprise when Facebook with its Internet.org initiative aims to bring Indians on-board and Google ramps up its efforts in India to connect with next 1 billion users through its Balloon Internet Project. In India have identified the nascent and unorganized stage of infrastructure in a country that is presenting a huge opportunity for them, and hence are trying to digitize or organize various segments.

2. Indian and Foreign Investors Making Huge Investments in Startups

The startup ecosystem is getting substantial support from foreign and Indian investors, who have shown more faith in the industry and have provided funds to help these companies to grow leaps and bounds. In 2015, India saw almost 300+ active angels and VC/ PE players, who carried out more than 300 deals. Various VC/PE investments happened in the expansion stage. Moreover, according to a data, Indian startups raised around \$6.5-billion (Rs 42,300 crore) billion from investors in the last year. New York-based Tiger Global Management (TGM) is currently the top foreign investor in India, followed by the Russian company- DST Global, Japanese telecom giant Softbank, Kalaari Capital, Sequoia Capital and Accel Partners.

3. Government Funds for Startup firms

Funding by the GOI has been the biggest backbone for the young entrepreneurs in India. By launching several plans, Indian government has assisted the start-up firms a lot to perform and sustain both in domestic and global market. There are numerous government and semi-governmental initiatives to assist startups. Funding Sources

Available for Startups Fighting Against Covid-19

4. Grant Opportunities

Action COVID-19 Team (ACT) – ACT has set-up an INR 100 crore grant, created by India's start-up community to give wings to ideas that could combat COVID-19 with immediate impact. We are seeking capital-efficient, scalable solutions from NGOs and innovative startups which need an initial seed grant to fight the spread of the pandemic.

5..MUDRA Yojna

Many small entrepreneurs find difficulty in getting loans or finance to start or run their businesses. Through this scheme, they will easily get loans from the banks to set up, grow and stabilize their businesses. Generally, while applying for loans, these small firms are asked for large collaterals by the banks, which made their business unsustainable.

6.SETU Fund

To facilitate the growth of startup firms, SETU (Self-Employment and Talent Utilization) fund had been set up by the government. Under this program, Rs 1,000 crore has been allotted by the government in order to create opportunities for self-employment and new jobs mainly in technology-driven domains.

7. E-biz portal

To bring down the complexities and obstructions in setting up a business, Government launched e-biz portal that integrates 14 regulatory permissions and licenses at one source. The widespread usage of this portal will enable faster clearances and improve the ease of doing business in India.

Conclusion:

India has an estimated 26,000 startups, making it the third-largest startup ecosystem in the world, recording consolidated inflows of over \$36 billion in the past 3 years with 26 "unicorns" – startups valued over \$1 billion. The Indian startup ecosystem has expanded quite rapidly mainly through private investments including seed, angel, venture capital, and private equity funds, with technical support from incubators, accelerators, and the government. The government, for its part, is creating an enabling environment through its flagship Startup India initiative, which came into force in 2016. With India pushing toward a knowledge-based and digital economy, the government is attempting to deploy ICT infrastructure and provide policy support for enhanced e-governance, investments, and technology innovation through research and higher education to support entrepreneurship and spur economic growth. Data suggest that the expansion in the startup ecosystem has largely been clustered in the large (Tier 1) cities and states with financial depth, and especially in IT-enabled sectors including e-commerce, transport, and finance. Small businesses beyond the metros are not fully aware of, or integrated into, programs that provide startups with various government incentives and tax breaks. Despite the progress made so far, Indian businesses face huge challenges, such as the unorganized and fragmented nature of the market in most sectors, a lack of clear and transparent policy initiatives that startups can tap into quickly, as well as a lack of infrastructure, a lack of knowledge and exposure, and complications in doing business. Creating more awareness of government initiatives and incentives, credit disbursement to priority sectors, promoting outreach and network benefits to Tier 2 and Tier 3 cities, as well as easing financing and tax breaks for foreign and domestic investors could improve opportunities for startups in India

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