



A STUDY ON THE STATUS DEVELOPMENT AND CHALLENGES OF STARTUPS IN INDIA

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Introduction

India's startup movement has been sparked by a young and skilled population with technological know-how, affordable internet access, and excellent government initiatives. A startup is a newly established company that is just starting out and prepared to develop at a rate that will allow it to succeed. It's best described as a scalable company strategy with ample room to grow in terms of wealth production or employment development.

Startup India is a flagship initiative launched by the Government of India to build a strong ecosystem for nurturing innovation and startups in the country which will drive economic growth and generate large scale employment opportunities. It appears that India is on its way to becoming the next great start-up nation. Incubators and accelerators have played critical roles in India's entrepreneurial ecosystem. These organizations offer essential resources, infrastructure, networking opportunities, and mentorship to early-stage entrepreneurs. Incubators and accelerators have helped numerous businesses succeed by mentoring them through the many phases of growth and cultivating an innovative culture.

Initiations such as "Startup India" have facilitated an atmosphere that is favourable to entrepreneurs by providing financial opportunities, tax advantages, and streamlined procedures. This assistance has boosted creativity and drawn capital from both domestic and international sources into the Indian startup scene. Access to funds the availability of finance is a crucial force behind the expansion of India's startup ecosystem. Venture capital firms, angel investors, and crowd financing platforms have emerged as major sources of funding for entrepreneurs.

A startup is a firm that is in its early stages of operation and was started by one or more entrepreneurs who wish to produce a product or service for which they feel there is a market. A startup firm is a freshly founded business that has gained significant momentum due to apparent demand for its product or service. A startup's goal is to develop swiftly by providing something that fills a specific market gap. In India, startups have grown at an astounding rate, even amid the COVID-19 epidemic. The expansion of startups in India may be attributed to a number of factors, including the low cost of trained labour, the positive attitude of investors, and other opportunities.

Historical Background

The Indian government launched the Startup India project. In a developing country such as India, the government ought to put up innovative strategies that foster such an atmosphere throughout the entire nation by providing possibilities for balanced growth. Indian Prime Minister Sri Narendra Modi declared **January 16 to be "National Start-up Day."** Additionally, the Reserve Bank of India promised to take the necessary actions to foster an ecosystem that is more suited for these businesses and to make the business climate conducive to development. On the inaugural National Startup Day, the Honourable Prime Minister gave awards to 48 businesses in an effort to inspire them. The following are some of the campaign's main points:

- Funding pool of 10,000 crore Rupees
- Patent registration fees was decreased
- Bankruptcy Code was improved in order to provide a 90-day exit window;
- First 3 years of operations free from inspections and Capital Gain Tax;
- Self-certification compliance.
- New schemes to provide IPR protection
- Startup Oasis was constructed as Rajasthan Incubation Center.

Government of India Initiatives in Promoting Startups

The combined efforts of state and national governments are demonstrating and strengthening the country's entrepreneurial culture through infrastructure, funding facilities, and so on.

Various endeavours to promote startups by adopting various schemes include the following:

1. The '**Make in India**' campaign, launched in September 2014, aims to increase FDI and encourage domestic companies to participate in the manufacturing sector. It also aims to make India the best destination for startups.
2. In 2016, '**Standup India**' was launched to promote women's entrepreneurship and SC and ST communities through bank funding.
3. "**Digital India**" was started in 2015 with the goal of creating an online platform to link rural regions via the development of their digital infrastructure and enabling the potential to turn a large economic opportunity into a profitable venture.
4. The creation of "**Research Parks**" in connection with higher education, for which the Union Ministry of Human Resource Development launched a plan with an initial expenditure of Rs. 100 crores with the goal of giving students the necessary resources and direction.
5. The government established the **SETU** Fund (Self-Employment and Talent Utilization) with a Rs 1,000 crore allocation to foster new job prospects and self-employment, mostly in technology-driven fields.
6. **MUDRA** Yojna to resolve financial issues related to starting or operating a business. Through this method, we may easily receive loans from banks to set up, expand, and stabilize our businesses without being asked for large collaterals and avoiding the problem of sustainability;
7. **Atal Innovation Mission** (AIM), a platform developed in 2015 to promote innovative ideas including academics, entrepreneurs, and researchers.

8. The government developed the **E-Biz Portal**, which combines 14 regulatory approvals and licenses into a single source to help with clearances when starting a firm.

Some Specific Benefits that can gain by Startups

Setting up a business in India is affordable compared to other nations. This is owing to the abundance of inexpensive labour and office space. The Indian government offers several starting tax benefits. These include a 100% profit deduction for the first three years and a tax holiday for the first year of operation. The Indian government offers many funding initiatives for businesses. The Indian government has eased several startup regulations. The Income Tax Act exempts startups from paying taxes. This enables startups to save on taxes and reinvest in their operations. Startups are free from paying capital gains tax on income from selling shares. The government has established many initiatives to assist companies financially. The government offers mentoring and incubation help to companies through several initiatives. The government offers numerous plans and initiatives to support entrepreneurs. This enables companies to obtain the resources they need to launch and expand their enterprises. It is vital to highlight that startups will employ more people than any other industry after agriculture. Startups provide various benefits and chances for investment. Startups provide several potentials for profit for a variety of reasons.

State wise Scenario of Startups

Different states have developed business incubators, technological parks, and hubs to help the startup ecosystem. Some examples are as follows:

Kerala has a government startup nodal organization called the Kerala Startup Mission (KSUM), which supports the startup ecosystem through infrastructure, human capital development, funding, governance, and so on.

Telangana has built an exclusive women's incubator WE HUB, the Telangana Innovation Fund, and the government mentor program (GMP) to bridge the gap between states and companies.

Andhra Pradesh has established a 17,000-square-foot Technological Research and Innovation Park for research and development, as well as an Initial Innovation Fund of ₹100 crore (US\$13 million) to support entrepreneurs.

Well known Startups in India

India is home to a large number of startups in the fields of education, law, retail, insurance, and health. Undoubtedly, there are examples of numerous startups that failed for a variety of reasons, but in a highly populated nation like India, there are a number of factors at play, including the highest concentration of young people, mobile penetration due to lower data costs, the government of India's digital push, and a reduction in the rules, regulations and tax burden on startups. Several of India's leading companies have achieved remarkable success over the years and continue to strive for peak performance. These include the following:

- **PAYTM**, an Indian e-commerce website founded by Mr. Vijay Shekhar Sharma in 2010, offers online payment options.
- **MBA CHAI VALA**, the fastest growing chai cafe chain, offers a variety of dishes from chai to maska. Bun, they do everything. Their vision is to see India as the Start-up capital of the world and to promote entrepreneurship in every part of India.
- **CRED**, a platform founded in 2018 where we can get rewards after paying our credit card bills.
- **Pharm Easy**, a online pharmacy and medical store that provides services and facilitates in OTC products, diagnostic tests, and medical instruments.

- **SPINNY**, a marketplace, founded in 2015, for pre-owned cars aiming at making the process of buying and selling cars transparent and seamless.
- **Mee show**, a platform that connects sellers and buyers in an online marketplace and provides marketing services.
- **Groww**, a platform that assists investors in investing in various securities.
- **Udaan**, a tech-based startup that provides B2B e-commerce solutions.
- **Dream11**, an appealing online fantasy sports platform.
- **Swiggy**, India's largest meal delivery network serves 27 cities and partners with over 40,000 businesses.

Literature Review

A literature study helps to have a better grasp of the issue and identify research gaps. Typically, this review includes research papers, reports, and newspaper articles that are relevant to the issue and offer a thorough grasp and feeling of the topic/subject being addressed. This research report includes the following literature review:

Goyal Prakash, (2011) Their report discussed how the situation for entrepreneurs has improved. To raise awareness of start-ups, the government should take the required actions. Start-ups must be well designed with business abilities to adapt to new trends and changes in the environment.

Madhura Wagh (2016) stated that entrepreneurship is a viable career path in India. Government policies and initiatives, as well as education and training, are significant drivers of entrepreneurship. Suggestions focused on liberalizing government policies, creating capacity via training, and reorganizing education through more creativity. The government has declared the Start-up India, Stand up India campaign to focus on these proposals. This is to create a robust ecosystem for fostering innovation and start-ups, which will result in the creation of large-scale job opportunities.

Noufal.P, Dr. K.V. Ramachandran (2017) stated in their paper "Entrepreneurship Development and the Prospects of Startups in Kerala's Industrial Economy: An Overview" that abstract skills, knowledge, and entrepreneurship are the driving forces of economic growth and social development in any country. The report evaluates the opportunities for entrepreneurship development and business starts in Kerala's regional industrial sector.

Dr. C Shekhar Upadhyay and Dr.Priyanka Rawal (2017) attempt to understand the reasons and motivations behind the inorganic growth of startups in India, as well as the various challenges they face, in their research paper "Start Ups; Let's Start Them Up - An Inside View in the Indian Start Up Scenario". The paper also provides a variety of recommendations to improve the overall scenario of stat ups in India and help in making India the world's startup capital.

Espark Viridian, (2017)— According to NASSCOM, by the end of 2020, 11,500 start-ups would employ roughly 2.5 lakh people, up from 75,000 now. According to one of ASSOCHAM's reports, in the next years, these companies will generate more wealth, and tycoons will be predominantly motivated by innovation.

According to Mishra (2018), the extant empirical entrepreneurship literature shows a strong positive association between entrepreneurship and economic growth. Arihant Jain (2017). "Start-ups Restoring the Indian Economy".

In their study 'Examining The Critical Success Factors of Startup In Thailand Using Structural Equation Model', Srinual Nalintippayawong, Nattakit Waiyawatpattarakul, and Supannada Chotipant (2018) provided a framework that assists not only young startups in succeeding their businesses, but also

investors in evaluating investments in startups. The findings reveal four essential success elements for Thai startups: support partner, company strategy, market opportunity, and consumer viewpoint.

Nipun Malhotra (2018) Addressing the issue of providing new employment possibilities and attracting greater capital investment, Indian start-ups are rated third globally. To be successful, start-ups must focus on community concerns such as health care, sanitation, education, and transportation. This will result to deal with the Indian and global face. These require heavy investment in technology and products.

Davis Joseph, Anju Paul, and Chippy Francis (2020) in their study 'A Comparative Analysis of Entrepreneurial Platforms Instituted by the Government of Kerala, A Case Study on KSUM' have provided a clear picture of the role of KSUM in developing a vibrant startup eco system that allows entrepreneurs to pursue their dreams and create more jobs.

Research Gap

A research gap was found that has not been addressed by any previous studies or study on startups and their proper growth in the area. As a result, several studies have been conducted on hitherto unexplored topics concerning startups. Starting a new firm requires a combination of emotions and efforts from the entrepreneurs. The research will cover all elements of Indian startups, including their contribution to economic development and unsustainable practices, as well as how the Indian economy has shifted from self-reliance to dependency.

Significance of Study

1. Startups contribute to economic growth by fostering creative ideas among young entrepreneurs.
2. Encouraging young leaders to build their businesses through distinctive product features, supported by government incentives.

Objectives

The objectives of the present study are as follows:

1. To examine the present status or position of Startups in India.
2. To identify the Government initiatives for the promotion of startups.
3. To analyse the development and challenges faced by startups in India.

Methodology

The current study is analytical in nature. The research seeks to analyze the growth and potential of startups in India, as well as the possibilities and vulnerabilities encountered by aspiring business leaders. The analysis is based on secondary data obtained from research papers, newspapers, magazines, books, journals, annual reports of the Government of India, approved websites, R.B.I. Annual Reports, published and unpublished data and data from District Industries Centres.

Data Analysis

Growing a company into a successful mogul is not a simple feat. Many factors must be addressed while launching a new enterprise. The report included statistical data on Indian startups, their rankings, and the growth trends of entrepreneurial initiatives. The study employed several statistical methods for data inference and analysis, including descriptive statistics, graphs, and charts. The study's scope also included the growth and development, as well as the chances and problems that Indian startups face.

India will have 250 unicorns by 2025, second only to the United States. Startups contribute in a variety of ways, including agility, team chemistry, less bureaucracy, competitive price, and personality. Many studies

show that the five components of company success are ideas, team, business model, money, and time horizon. According to Startup Genome's 2022 Global Startup Ecosystem Report, three Indian cities—Bengaluru, Delhi, and Mumbai—have made it to the top 40 startup ecosystems in the world (State of the Indian Startup Ecosystem Report, 2022).

Table 1 shows the global startup rankings by nation and area. India is ranked third with 4.1% of unicorns, while Bangalore is ranked fifth with 3% of billion-dollar businesses. The rankings of regions based on the percentage of value of unicorns are as follows. In the current global context, Indian startups are incredibly important.

India's Startups: A Stocktake

The Department for Promotion of Industry and Internal Trade (DPIIT) recognises 87,988 startups, making India the world's third largest startup ecosystem. The DPIIT recognizes an entity in India that is working toward innovation or has a scalable business model with a high potential for creating employment and wealth as a startup for a period of ten years from the date of incorporation, if its turnover does not exceed one hundred crore rupees in any of the financial years.

The table 2 depicts the recognition and job creation of startups in India from 2016 to 2020. In 2020, startups recognized 14700 and generated 1.7 lakhs additional employment. In 2019, there were 11701 startups and 1.5 lakh jobs generated, while in 2018, there were 8947 startups and 0.96 lakh employment created in various industries. India has emerged as the world's third biggest ecosystem for startups, with over 77,000 DPIIT-recognized firms spanning 656 districts of the country as of August 29, 2022.

Table 1: Exhibits that the Startup Index of Nations and Regions

Ranking Of Countries On Share Of Billion Dollar Startups (Unicorns)			Ranking Of Countries On Share Of Value Of Billion Dollar Startups (Unicorns)		Ranking Of Regions On Share Of Billion Dollar Startups (Unicorns)		Ranking Of Regions On Share Of Value Of Billion Dollar Startups (Unicorns)	
Rank	Country	Share of Unicorns	Country	Valuation of Unicorns	Region	Share of Unicorns	Region	% Valuation of Unicorns
1	United States	64.7%	United States	63.3%	Silicon Valley	39.2%	Silicon Valley	45.0%
2	China	13.8%	China	21.7%	New York	9.4%	Beijing	15.4%
3	India	4.1%	India	4.7%	Beijing	6.4%	Los Angeles	7.6%
4	United Kingdom	2.5%	Sweden	2.2%	Los Angeles	5.1%	New York	5.3%
5	Singapore	2.2%	Germany	1.5%	Boston	4.0%	Bangalore	3.0%

Source: USC Marshal School of Business.

Table 2 exhibits the Startup recognized and job creation during 2016 to 2020 in India

Year	Startups	Job creation
2020	14700	1.7 lakhs
2019	11701	1.5 lakhs
2018	8947	0.96 lakhs
2017	5425	0.49 lakhs
2016	504	10 for 1 startup

Source: Ministry of Commerce and Industry, GoI, 2020

Best Industries for startups in India 2022

Fintech	Real Estate	B2B Software	Delivery Service
Healthcare tech	Big data	Edtech	Logistic
Supply Chain Management	Virtual reality	Ecommerce	
Artificial Intelligence	Leisure & Entertainment	Shared mobility	

Opportunities For Startups in India

OPPORTUNITIES FOR STARTUPS			
Large population	More opportunities to learn.	More Benefits	
Developing new operations	Flexible hours	Connectivity	
Tax saving for investors	Unique experience	Reduction in cost	
No time-consuming compliances	Increased job satisfaction	Easy exit	
Unsure job security	Minimal supervision	Cheaper patent costs	
Self-reliant	Opportunities for innovation	Innovation Society	
Tax holiday for 3 Years and Apply for tenders	Change of Mind Set of Working Class	Simple process and Easy access to Funds	

Vulnerable Challenges faced by Startups in India

VULNERABLE CHALLENGES			
Revenue Generation	Uncertain job security	Less pay	
Supporting Infrastructure	A heavy workload	Long hours	
Financial Resources	Lack of structure	Planning ahead	
Creating Awareness in Markets	Constant change	The right systems	
Government Policies	Limited resources	Skills and attitudes	
Too much freedom	Hiring Suitable Candidates	Problem solving	
Unrealistic Expectations	a lack of research	Welcoming change	
Partnership Decision Making	being in the wrong market	Money running out	
Financial Management	Keeping up with the market	bad partnerships	
Teamwork and delegation	Cash flow & financial management	Ineffective marketing	

Highlights of the startup in India

- India is the world's second-largest financial ecosystem, with over 2,565 startups in operation today, up from 737 in 2014. Payments account for the majority of India's fintech startup revenue, followed by lending, wealth technology, personal finance and others.
- The impact of India startups on the economy includes the world's second highest number of internet users, the world's third largest startup ecosystem in terms of unicorns and total number of startups, 61% of internet penetration, 373 million+ rural internet users, \$450 billion+ combined valuation of Indian startups, 7.7 lakhs job creation, and \$ 131 billion+ venture capital inflow since 2014 (Startup Report- 2022).
- As of July 30, 2022, 102 incubators had received Rs. 375.25 crore under the Startup India Seed Fund Scheme (SISFS) from a total corpus of Rs. 945 crore.

- According to International Data Corporation (IDC), a global supplier of market data and consultancy services, the Indian public cloud services market is predicted to develop at a CAGR of 24.1% in 2020-25, reaching \$10.8 billion by 2025.
- According to the newest study by International Data Corporation (IDC), India Artificial Intelligence industry, 2021, India's AI industry is estimated to reach USD 7.8 billion by 2025.
- The e-commerce industry holds the majority of India's unicorns, with 23 businesses reaching this status as of May 2022. According to Inc42, four of the top ten fastest Indian unicorns are from the e-commerce industry.

Indicators of Growth in the startup

- The pace of growth in the startup ecosystem has increased to 15% year-on-year in 2018, while the growth of the number of incubators and accelerators has grown to 11%.
- It's noteworthy that the percentage of female business owners increased to 14% from 10% and 11% in the two years prior.
- The number of employments created by startups in the nation has increased to 1.6–1.7 lakh, with an anticipated 40,000 additional positions created over the course of the year. According to the 2019 Startup Genome Project rating, Bangalore is one of the top 20 startup cities in the world. It is also among the top five fastest-growing startup cities globally.
- The Indian entrepreneurs have proceeded to secure substantial funding from both domestic and international sources. The fact that the top 15 transactions accounted for over 40% of the total deal value indicates that most funds place a higher emphasis on deal quality than number.
- Government support and corporate connect support: Businesses are collaborating with and investing in start-ups as a result of discovering their disruptive potential. The Indian government is realizing how important it is to collaborate with disruptive innovators at every stage of the business and leverage their ideas to enhance the provision of public services.

Future of Startups

Indian startups have a bright future ahead of them. Both its population and economy are expanding in India. For entrepreneurs, this makes it a desirable market. India is home to many outstanding engineers and businesspeople. It's a great spot to launch a business because of this. In India, startups encounter several obstacles. The regulatory environment comes first. Red tape and bureaucracy are major issues for startups. For startup businesses, this might be difficult. The absence of funds presents the second difficulty. It may be challenging for a new business to get finance in India due to the lack of venture capitalists. The future of startups in India is quite promising, notwithstanding these obstacles. India's economy is expanding and it has a sizable market. It is therefore a desirable location to launch a business. India is home to a sizable population of gifted engineers and businesspeople. This makes it a good location for business startup.

Conclusion

Startups are one of the most important approaches to overcome the key challenges that mankind is experiencing since they respond much faster to problems and invent solutions. A growing number of incubators, as well as a strong desire among young people to establish their own businesses, are boosting entrepreneurship and early-stage startups in India. While the world-changing potential of startups is frequently overstated, successful firms may have a substantial positive influence on the globe. Even when companies fail, they have tremendous influence, particularly on the founders, workers, investors, and other stakeholders who learn from their experiences. Startups are the future of jobs. People are increasingly taking up temporary or freelance work with startups as an alternative to the traditional way.

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