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## STARTUP INDIA – OPPORTUNITIES AND CHALLENGES

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### Introduction:

The economy of every country depends on its countrymen. Larger the number of employed or working people, better the economy. The Indian Government realized that Indian people have a potential to work hardly, all they need is a promising start up. Many people dream of starting up their own business but due to financial or other similar issues are unable to do so. So, Indian Government in the leadership of Narendra Modi has decided to offer a gift as a nation wise programme – “Startup India”. “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 & capabilities, 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.” Startup India is an initiative of the Government of India. The event was inaugurated on 16 January 2016 by finance minister Arun Jaitley.



This programme is a big start to enable Startups through financial support so that they can use their innovative ideas in right direction. There are tremendous opportunities for Startup entrepreneurs in India. The key areas are Like Textile, Media, Health Sector, Event Planner, Tourism, Automobile etc. So there are various opportunities where entrepreneurs can start their Startups. But along with opportunities there are some challenges also that Start up entrepreneurs may have to face like Infrastructure Deficit in India, Risk Factor and Right Talent Acquisition etc. Despite of these challenges, Government as well Start up entrepreneurs should have to work together to face these challenges & make this programme effective.

## Conditions for Start Ups:

- It must be an entity registered/incorporated as a:
  - Private Limited Company under the Companies Act, 2013; or
  - Registered Partnership firm under the Indian Partnership Act, 1932; or
  - Limited Liability Partnership under the Limited Liability Partnership Act, 2008.
- Five years must not have elapsed from the date of incorporation/registration.
- Annual turnover (as defined in the Companies Act, 2013) in any preceding financial year must not exceed Rs. 25 crore.
- Startup must be working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.
- The Startup must aim to develop and commercialize:
  - a new product or service or process; or
  - A significantly improved existing product or service or process that will create or add value for customers or workflow.
- The Startup must not merely be engaged in:
  - developing products or services or processes which do not have potential for commercialization; or
  - Undifferentiated products or services or processes.

## Opportunities for Startups:

### Large Population:

The population of India is a huge asset for the country. By 2020, it is expected that the working age population would surpass the non-working population. This unique demographic advantage will offer a great opportunity to any startup. Various infrastructure issues and the bottom-of-the-pyramid market would provide huge opportunities for the startups.

### Connectivity:

Indian telecom industry has nearly 100 crore subscribers, mobile connectivity has made inroads in the rural and urban population. Government of India's digital push is going to improve connectivity and data to the next level. The race to cheapest data has started and disruption is certain. The cheap data has helps everyone to get their hands on it, start-ups will have an easier time to tap into markets, territories and even traditional businesses.

### Change of Mind Set of Working Class:

Traditional career paths will be giving way to Indian startup space. Challenging assignments, good compensation packages would attract talented people to startups. Also, it is seen that several high profile executives are quitting their jobs to start or work for startups. To reinforce the trend being seen, a survey



conducted by Economic Times also confirmed that the number of Students joining startups and e-commerce companies have grown considerably in the recent years.

### **Innovation Society:**

India has the largest youth population, which is the largest driver for innovation, workforce, talent and future leaders. India has its own challenges of education, health, infrastructure and the rising gap between India and Bharat. This presents big opportunity for start-ups to solve a variety of problems. India has the population of 1.3 billion people; the country's middle class is growing along with the consumers. The large diversity in the India's population makes a strong case for a rich services and products economy. Start-ups should look at banks; our banking system has reaped the maximum benefit of our population size.



### **Challenges for Startups:**

The followings are challenges for startups discussed below:

#### **Revenue Generation:**

Several startups fail due to poor revenue generation as the business grows. As the operations increase, expenses grow with reduced revenues forcing startups to concentrate on the funding aspect, thus, diluting the focus on the fundamentals of business. Hence, revenue generation is critical, warranting efficient management of burn rate which in common parlance is the rate at which startups spend money in the initial stages. The challenge is not to generate enough capital but also to expand and sustain the growth.

#### **Supporting Infrastructure:**

There are a number of support mechanisms that play a significant role in the lifecycle of startups which include incubators, science and technology parks, business development centers etc. Lack of access to such support mechanisms increases the risk of failure.

#### **Financial Resources:**

Availability of finance is critical for the startups and is always a problem to get sufficient amounts. A number of finance options ranging from family members, friends, loans, grants, angel funding, venture capitalists, crowd funding etc. are available. The requirement starts increasing as the business progresses. Scaling of business requires timely infusion of capital. Proper cash management is critical for the success of the startups.

### Creating Awareness in Markets:

Startups 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 the product. The situation is more difficult for a new product as the startup has to build everything from scratch.

### Government Policies:

If entrepreneurs are the planets in the solar system, then the government is the sun, the single largest facilitator. The government policies are slowly and steadily increasing, although, it must be noted that India still maintains a dismal ease of doing business ranking as per the World Bank report. Due to a maze of laws and regulations, it takes more of an effort for an entrepreneur to start a business in India than most of the other places in the world, and after he /she succeeds in setting up a business, it takes even a greater effort to comply with sector, department, state and center laws.

### Lack of Knowledge Regarding Market Demand:

In India, every state has a unique taste, culture, food habit, language and outfit. So, what is selling in Maharashtra like hot cakes might remain untouched in Tamilnadu. A thorough knowledge of region-wise need and a practical market survey is of utmost importance before venturing into the perilous sea of startups. Location thus plays a key factor in the success. In this particular case, it's better not to stick to Steve Job's suggestion of not asking the customers, for people don't know what they want until you show them. One should remember, every startup doesn't produce something as revolutionary as iPods. Marketing strategy comes under this same section

### Talent:

In start-ups employment is uncertain due to companies reaching scale and then downsizing for better efficiencies, the industry is saturated with such examples. However, this is a small problem as compared to finding the right skilled talent, and retaining the talent. Skilled talent is hesitant to join start-ups, as they have witnessed in the past mass firing and downsizing. Also, early stage or pre series-start-ups have lesser pay than their corporate peers. Most start-ups in a bid to outgrow, hire inadequate talent without processes, and finally end up on the losing side.

### Funding:

Raising the capital has been a long drawn challenge for start-ups. Angel investment and seed investment is easier to find, as the amounts are smaller, it has gotten much tougher to go for later stage rounds, as companies burn too fast and do not look at unit economics. Raising funds has become more of a celebration; rather it should be of an entrepreneur making it to the start line of the race. Very limited funding is available in forms of larger cheques in India. In our eco system (India) we patronize the founder, and not the company, and sometimes the founder can be caught up in glamour of funding. Entrepreneurs should set the goals for the next 5 years and should not be obsessed with raising the funds.

Apart from this above, there are top 10 challenges which are too faced by startups India scheme.







### Conclusions:

The current economic scenario in India is on expansion mode. The Indian government is increasingly showing greater enthusiasm to increase the GDP rate of growth from grass root levels with introduction of liberal policies and initiatives for entrepreneurs like "Make in India", "Startup India", MUDRA etc. "Make in India" is great opportunity for the Indian start-ups. The startup area has lot of challenges ranging from finance to human resources and from launch to sustaining the growth with tenacity. Being a country with large population, the plethora of opportunities available are many for startups offering products and services ranging from food, retail and hygiene to solar and IT applications for day to day problems which could be delivered at affordable prices. It is not out of place to mention that some of these startups would become unicorns and may become world renowned businesses by expanding into other developing and underdeveloped countries. In India, the opportunities for the start-ups are immense, but so are the challenges. It will take combined efforts from the government and the start-ups to overcome these challenges.

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