
START- UP IN INDIA: PROSPECTS , PROBLEMS AND PLANS

Fahmeeda F.Shaikh

Assistant professor
Gujarat Arts and Science College,
Ellisbridge, Ahmedabad-380006, Gujarat, India

Abstract

The competitive atmosphere produced from the growing requirement due to the increasing population of our country is forcing to generate innovative entrepreneurial systems. The years 2010-20 is declared as decades of Innovation in India. The key for start up is innovation which marks in additional industrialization. There are many factors like dense population, unemployment, large number of youths with technical education background, IT supremacy, advanced internet and mobile access, large number of middle income group, "Make in India, Stand up India", "Digital India" initiatives etc. which has created a start-up revolution in India. This paper tries to furnish an overview of "Start-Up" and recognizes the challenges that they might face and on the basis of that some suggestion are also given. The paper concludes with some concluding remarks also.

Key words: Start-ups, Entrepreneur, Make in India, Innovation, Entrepreneurship

Introduction

The starts up companies are new born companies mostly formed based on innovative and brilliant idea. An amazing and innovative service, product or process developed with the intention of catering the need of the society or market which is also a recently emerged and rapidly growing business is called the start-up company, intentionally planned to swiftly expand a commercially feasible business replica. To create a position for them in a market start-up companies set up technologies such as Internet, Computer, E-commerce, telecommunications etc. Start-ups are the companies that are usually involved in crafting and implementing the innovative ideas and "out of the box" processes. To become an entrepreneur the most common questions for anyone are "What to do": The major problem in any start-up to have a clear vision to create a new innovative business ideas and finding business opportunities. "Why to do": problem related to the profitability of business, risk evaluation, awards or others fall under this category.

As per the Infosys co-founder a start-up is classified as a "Business within the first three years of its existence, which is employing lesser than 50 people and have the revenue of INR 5 cr or less"

Grant Thornton (2016) describe Start-up Company as "an organization which is an entrepreneurial venture/a partnership or a temporary business organisation incorporated for three years or less and not formed through splitting or restructuring having revenue of up to INR 25 cr , employing 50 or less people and engaged in development, production or distribution of new products/services or processes."

Start up Phases: (Lifecycle)

“There are a number of support mechanisms that play a significant role in the lifecycle of start-ups. These support mechanisms include, angel investors, hatcheries, incubators, science and technology parks, accelerators, small business development centres, venture capitals, etc. Lack of access to such support mechanisms increases the risk of failure.” Salamzadeh (2015 a, b)

Pre start up (kernel phase): In this stage a probable scalable services or product idea is identified and discovered. After that justification of discovered product and services is done by searching for the clients ready to pay for it and thus forecasting how much hit the product or service will be in the market.

Start up stage: In this stage the business model is defined to increase the efficiency and gaze for ways to raise customer base constantly. Here the expansion of business is pushed aggressively while growing its capability to cultivate in all potential worthwhile manners.

Development or Extension stage: The business is maintained by maximizing the benefits and minimising the problem that are derived from the universal extent in terms of competition that the business has achieved. In this stage the decision regarding the sale and revival or merger is done or to acquire massive resources that the product will require to endure rising as a endeavour is taken.

Start up in India

As per world banks report “India is positioned 130th out of 189 economies on the effortlessness of working together, 133rd on the simplicity of exchanging crosswise over fringes and 157th on the simplicity of paying charges besides India is positioned 155th if there should arise an occurrence of beginning a business.”

The competitive atmosphere produced from the growing requirement due to the increasing population of our country is forcing to generate innovative entrepreneurial systems. The year 2010-20 is declared as decades of Innovation in India. The key for start up is innovation which marks in additional industrialization. Thus the country's per capita income gets increased. The world is eyeing the largest pie of venture prospect that India can offer as there is incredibly soaring possibility for growth of start-up ecosystem in India.

The third largest start up hub in the world is India with approximately 10,000+ start-ups where 28 years is an average age of start-ups founders. Among 91% of the total start-ups founders are male and remaining are females. Maximum number of investors and start-ups are from metro cities. In India every year more than 800 technology start-ups are being setup. Average figure of latest technology start-ups was 480 in 2010 and 800 in 2015 and is expected to increase to 2000 by 2020. Total tech start-ups are expected to increase from 4300 in 2015 to 11,500 in 2020. In the last twelve months the numbers of private equity and venture capital firms are doubled and 50% rise in share of female entrepreneurs has been observed. Indian start up business is divided into two parts: Technology base start ups and non-technology base start ups. E- Commerce gets 33% concentration, B to B 24%, mobile apps 10%, internet 12%, Saas 8% & other gets 13% concentration in technology based start ups while in non technology based start ups engineering sector gets 17%, textiles 8% ,printing and packaging 8%, construction 13%, Agri products 11%, outsourcing and support 5%, transportation and logistics 6% and others 32%. The comparison of Indian start ups with other countries are given in the below table.

Table:1 Comparison of Indian Start Ups with other Countries.

Country	Start Ups (Total)	Startups (non-tech based)	Start-ups (Tech-based)	Bank Lending rate(%)	Corporate Tax rate(%)	Setting-up new company (in days)
U.S	83000	34500	48500	3.3	39	4
China	10000	6600	3400	5.6	25	30
India	10000	5700	4300	10.3	34	30-60
Israel	4750	750	4000	3.9	26	13
Singapore	NA	NA	NA	5.4	17	2
Japan	NA	NA	NA	1.2	34	10

(Note: Singapore has declared 100% tax exemption for start-ups)

Source: Government sites and World Bank Report

Over the previous few years start-ups have been the essence of the season for the Indian market. This has created a large number of house developed innovators across the country. The major reason behind this development has been the jumbo funding that has been invested into the majority of these innovators amid the period 2007 and 2015. Indian innovation has become a global point of interest for making big bets. However the road to success is always difficult. Thus the issues that raise trouble plaguing the businesses such as unorganised and uneven Indian market, lack of clear and transparent policy initiatives, lack of infrastructure, lack of knowledge and exposure, complications in doing business etc need to be tackled. There is an urgent requirement to revise the structure and course of policies as per the time. To breed start-up into an advantageous and sustainable business time, effort, energy, patients, risk taking ability, honesty etc are needed. Financial support is a major worry for start-ups and small businesses. Start-ups in all areas of business must be motivated to achieve real success. People in India look down upon failure. Encouragement rarely comes but opinions are given by everybody. Failure is often a part of initial stage of entrepreneurship and starting all over again by learning from that failure. Entrepreneur need to start accepting failures and allows another chance. At the initial stage of start ups people are generally unaware about how can they contribute to economic growth, generate employment, contribute to the societal development etc.

Government Vision on Start-Ups in India

“Vision of “Make in India” is to facilitate investment, enhance skills development, create job opportunities, build world class infrastructure, sustainable development and innovations in Indian manufacturing, creating a self reliant economy, developing National Industrial Corridors and smart cities, participation in global production network etc. By saying Make in India, we are not only inviting companies for cost-effective manufacturing, but also giving them an opportunity of large market for their products.” Shri Narendra Modi, honourable Prime Minister of India.

Prime Minister Narendra Modi aimed at revolutionizing and accelerating the start-up revolution in India. So, he launched an ambitious program called start-up India which is already witnessing strong traction. “Start up India, Stand up India” movement was started by honourable Prime Minister Shri Narendra Modi on 15th August, 2015 to present enticements, to boost entrepreneurship and employment creation as well as to encourage bank financing for start-ups on 69th Independence Day. He said while addressing the nation that “we are looking at system for enabling start-ups. We want to enable start ups to make India no 1 in this field.....start up India,

stand up India.”To promote the start ups in a country, the government’s union budget allocation of INR 1000 cr towards SETU is a great effort to support new start-ups. To encourage confidence in the start-ups foreign direct investment (FDI) limits for most of the sectors are increased and intellectual property rights (IPRS) are strengthened. “Digital India” launched in 2015 is an added admirable and extreme reaching scheme to guarantee accessibility of government services to every citizen through digital platform that aims to connect and develop the Indian rural digital infrastructure which translate into a huge business opportunities.

On 16th January, 2016, Prime Minister Narendra Modi declared the action plan such as “exemption on Capital Gain Tax, Credit Guarantee scheme, inspection for three years ,no tax on profit, Mobile apps and portals for registration, Start up India hub’s setup for clearance, if money is invested in another start-up than no capital gains, Exit policy will be easy and faster, for labour and environment laws, self certification based compliance, Entrepreneurs can register the company in one day instead of 15-20 days, Building Research parks, setting up innovative centres at National Institutes, new Intellectual property rights protection, fast tracking and 80% reduction in patent fees etc for encouraging start-ups.

Challenges

“In regards of major reasons for failure of start-ups, a survey based on analysis of 101 firms showed that 42% failed as the product had no market, 29% firms ran out of cash, 23% did not have the right team, 18% closed due to pricing issues, 17% firms had poor product, 14% failed due to poor marketing and 8% had no investor interest.” Griffith(2014).

- Indian markets are unorganised and fragmented which is the biggest setback for creating a pleasant ecosystem for start-ups.
- There is a deficiency of clear-cut and translucent policy motives, short of infrastructure and interaction sources, lack of awareness and experience.
- Science, technology & innovative parks, Business development centres, incubators etc act as support mechanism in the life cycle of start-ups. The chance of failure rises with the unavailability of such support mechanism.
- Due to the distinctiveness of product/services, the start-ups face more difficulties in surviving than the established business. In start-ups as the product is new, everything has to build from scratch. So, to make awareness of the new product in the market is further difficult.
- Estimating the market requirement for the product, existing vogue etc are also the most important challenges for the start-ups. Thus start-ups should design and invent the product or a service that caters the need of the market and go well with the market requirement.
- Indians give much notable importance to government jobs as it gives job security and financial strength. Since majority of people belongs to middle or lower middle class group, they fear to take the risk as they are aware of dangers and incentives associated with establishing new business.
- The behaviour of Indian consumer varies in every 30-40 km which becomes the main multifaceted variable that creates a hindrance to create a niche in the market for their products or services.



- For every start-up it is very difficult to attract and acquire the skilled and exceptionally talented team members or employees as they cannot pay the salary as per the corporate standards at the breeding stage. Thus for start ups it is very difficult to get and appoint the precise type of talent to counterpart the rising consumer's expectations.
- Start-ups cannot prosper at a quicker speed because of the lack of an efficient branding and advertising strategy. "Branding demands paramount attention as it gives an identity and occupies a space in the consumer minds." Chaudhury (2015)

Recommendations

Aggarwal (2017) said that "A successful start-up cannot start a business just with passion and an idea. A high level of leadership skills with clear understanding of market, excellent communication skills, maturity to see things in right perspective along with the ability to take calculated risks is required on the part of the entrepreneur"

- The amalgamation of cordial, functional, regulatory and excise issues that influence the functioning of trade atmosphere is required for smooth setup of start up systems.
- The growth of start-ups can be pushed by the announcements of right policy matter by lawmakers.
- For mentoring start-ups as well as making awareness and constructing an entrepreneurial atmosphere, a good infrastructure must be created.
- To build improved environment for start-ups in India and for constructing an entrepreneurial atmosphere for young persons, diverse stakeholders such as the government, educational organization, corporate, NGO's and other should bond together.
- Science, technology & innovative parks, Business development centres, incubators cell etc act as support mechanism in the life cycle of start-ups. The government along with the help of corporate must create more such incubators cell, innovative parks etc.
- Corporate and private sector employers should motivate their talented employees to accelerates their creative ideas into start-ups and thus provide platform for the same. Thus there is a need to alter the mindset of an individuals and supports them to setup a new business.
- Start-ups should design and invent the product or a service that caters the need of the market and go well with the market requirement. Systematic field knowledge is required by the entrepreneur to respond the struggle with suitable tactics.

Conclusion

In India, pro-reforms announcements in the start-up space are essential to grant much essential impetus to the entrepreneurial atmosphere. Across all the cities and states the environment of entrepreneurship has to be spread to make India subsequently giant start-up destination. The non working populace is expected to



suppressed by the working age populace by 2020. This will create a need and opportunities for start-ups in India. In Indian scenario start-ups could be feasible and sustainable with early possibilities of income creation and have an incredible capacity in catering to the needs of local markets. There will be a large effect on economy and employment creation in India if little aid comes from number of entrepreneur which would balance small, medium & large industries efforts in projecting India into a quick rising economy.

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