

“Ecosystem for Start-ups in India: Opportunities and Challenges”

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Abstract: -

India has emerged as the 3rd largest ecosystem for startups globally with over 77,000 DPIIT-recognized startups across 656 districts of the country as of 29th August 2022. India ranks #2nd in innovation quality with top positions in the quality of scientific publications and the quality of its universities among middle-income economies. We have recognized startups solving problems in 56 diverse industrial sectors with 13% from IT services, 9% healthcare and life sciences, 7% education, 5% professional and commercial services, 5% agriculture and 5% food & beverages.

The Indian Unicorns are flourishing in the fast-paced and dynamic economy of today. These startups are not only developing innovative solutions and technologies but are generating large-scale employment. Till FY 2016-17, approximately one unicorn was being

added every year. Over the past four years (since FY 2017-18), this number has been increasing exponentially, with a whopping 66% Year-on-Year growth in the number of additional unicorns being added every year. As of 07th September 2022, India is home to 107 unicorns with a total valuation of \$ 340.79 Bn. Out of the total number of unicorns, 44 unicorns with a total valuation of \$ 93.00 Bn were born in 2021 and 21 unicorns with a total valuation of \$ 26.99 Bn were born in 2022.

With India pushing towards a knowledge-based, digital economy, the government is also attempting to deploy ICT infrastructure and provide policy support for enhanced e-governance, investments, and technology innovation through research and funding higher education to spur entrepreneurship and economic growth. Data suggest that the startup ecosystem is largely clustered in

large (Tier 1) cities and states with financial depth, more so in IT-enabled sectors including e-commerce, transport, and finance. Despite the progress made so far, Indian startups face huge challenges. This paper will focus on the opportunities and challenges faced by startups in India.

Key words: - *Startups, Business Opportunities, Entrepreneurship, Challenges, Innovations.*

Introduction: -

India is a country of many great legends that were famous all over the world because of their work, sharp mind & high skill. Youths in India are very talented, high skilled & full of innovative ideas. But they don't get opportunity due to lack of solid support & proper guidance in right direction. In this way, BJP government launched "START UP INDIA STAND UP INDIA" scheme on 16 January 2016 to help the youth of India to go in right direction using their new & innovative ideas. This scheme was launched to motivate & promote new comers towards business & grow their career as well as economy of the country. This programme is a big start to enable Start-ups 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 Start-ups. 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. The study will focus on Startup India scheme, opportunities available under this scheme as well as challenges may have to be faced & suggestions to overcome the challenges so as to make the Startup India programme successful.

With the launch of Prime Minister's ambitious Startup India mission on 16th January at Vigyan Bhavan auditorium in New Delhi, it seems that India is progressing to become the next big startup nation. Never before in the history of India, so many influential

forces have congregated to promote startups and enable them to flourish globally. In the past few years, the Indian startup ecosystem has witnessed an immense growth, despite several roadblocks, adoption of play-to-win approach by the young and enthusiastic entrepreneurs was all time high. However, the direct involvement of government in empowering startups will certainly give a real boost.

Reviews of Literature: -

Entrepreneurship development is essential for developing countries such as India. Because there is a strong link between entrepreneurial and economic development. Indeed, economic growth is the result of entrepreneurial efforts. As a result, the government should recognise the importance of entrepreneurial development and create a better environment for entrepreneurs. Banks and financial institutions should have faith in entrepreneurs and provide them with better financial assistance. The most important factor is the entrepreneurs' attitude. Some entrepreneurs become extremely

successful in a short period of time, only to vanish after a certain period of time. This isn't true entrepreneurship. He should have consistent success and be able to compete with the best. (**G. Madhan 2016**), Foreign exchange regulations must be tailored to the needs of investors, so that the best do not register outside of India. Global investors seek tax certainty in order to remain invested over the long term. (**S Badra, et. Al., 2016**) The most significant challenges that new entrepreneurs face include developing a vision and business idea, raising startup capital, assembling a business team, finding the right business location, finding good employees, finding good customers, dealing with competition, unforeseen business challenges and expenses, keeping up with industrial changes and trends, lack of support, negative mindset, lack of marketing facilities, lack of infrastructural facilities, and so on. (**R. Kanchana, et. Al., 2014**)

Objectives: -

1.To identify the challenges and opportunities that exist for entrepreneurs in a startup business.

2.To explore the role of government in facilitating the development of a favourable business environment for startups.

3.To understand the importance of government policies for the success of startups.

4.To evaluate the effectiveness of government policies in promoting the growth of startups.

Statement of Problem

The problem is that there is a lack of understanding of the role of government in creating a favourable business environment for startups. There is a lack of knowledge of the opportunities and challenges that startups face in today's market, and what government can do to help foster the growth of startups. Additionally, there is a lack of understanding of the effects of government policy on the success of startups. There is a need to better understand the role of government in providing a conducive environment for startups to succeed and how policy can be used to foster a more favourable business environment.

Therefore, in this paper let us understand the overall ecosystem for

start-ups in India and the opportunities they have and challenges faced by them

Research Method

For the purpose of this research, a descriptive research method is used, as the area of the research is large so it is hard to collect the data from all the sectors and all the people that's why this method is adopted for doing this study.

Data Collection Techniques

This present research is carried on the secondary data collection method.

Secondary Data: -

Secondary data means that data which is already available on various platforms and it can be collected using the help of research papers, journals, newspaper articles, personal blogs, etc.

Scope of the study

The scope for this study is restricted only to the startups in Indian Economy because the study focused on the opportunities and challenges in startups: Understanding the Business Environment for Startups”

Limitations

The research is limited to understanding the role of the government in creating a favourable business environment for startups. It does not account for the role of other stakeholders such as venture capitalists, investors, banks, and business incubators.

The research is limited to the understanding of the current opportunities and challenges faced by startups in a particular Indian region. It does not take into account the global perspective.

The research is limited by the availability of data and information. It may not be able to cover all relevant aspects of the topic.

The research does not take into account the long-term effects of government policies on the startup environment.

The research is limited to understanding the role of the government in fostering a favourable business environment for startups. It does not explore the role of other factors such as technological advancements, economic conditions, and social trends.

Research Gap

Despite much research conducted on the topic of opportunities and challenges in startups, there is a lack of empirical evidence which examines the role of the government in creating a favourable business environment for startups. Specifically, there is a need to investigate the various types of policies and initiatives that have been implemented by the government to encourage startups, and the extent to which these have been successful in fostering a conducive environment for entrepreneurs. Additionally, there is a need to explore how government involvement has impacted the overall startup ecosystem, and the potential for government to further support startups in the future.

Major Opportunities in Startup: -

Today's India is ready to follow in the footsteps of business titans Steve Jobs and Mark Zuckerberg by following their hearts. Furthermore, as the environment in India for starting one's own business has improved and the country offers a plethora of entrepreneurship opportunities, an

increasing number of people are willing to take the plunge.

• India's Population Has Opened New Gateways

India's population will be a huge asset to the country in the coming years. The country is expected to enter a "demographic bonus" period by 2020, when the working-age population will outnumber the non-working population. This distinct demographic advantage will provide an excellent opportunity for any company or organisation seeking to succeed and establish a dominant position in the Indian market. As a result, it's no surprise that Facebook's Internet.org initiative aims to bring Indians on board, while Google ramps up its efforts in India to connect with the next 1 billion users via its Balloon Internet Project.

Entrepreneurs in India have identified the country's nascent and unorganised infrastructure as a huge opportunity for them, and are thus attempting to digitise or organise various segments.

• Many IIT-ians and MBA Freshers Opt for Entrepreneurship

Because of the higher packages offered to students, the recruiting trend among

IITs and top MBA colleges is always in the news. The talented students from these top colleges are either lining up to be placed in the startup or have opted out of the campus recruitment process entirely, owing to their growing desire to start their own businesses.

• Talent Is Inclined to Work With Startups

As more talent gravitates toward the Indian startup space, India is poised to deviate from traditional career paths. Challenging assignments, large funding, large compensation packages, and an associated cool quotient make startups a very profitable place to work and an appealing value proposition. A growing trend is that several mid-level executives are leaving their jobs at large corporations to work for startups. Furthermore, a survey conducted by the Economic Times confirmed that the number of students joining startups and e-commerce companies has increased significantly. Even to attract the best talent in the world, many startup firms have been taking bold moves by offering high remuneration packages.

• Indian and Foreign Investors Making Huge Investments in Startups: -

The startup ecosystem is receiving significant support from foreign and Indian investors, who have shown greater faith in the industry and have provided funds to assist these companies in growing by leaps and bounds.

In 2015, India had nearly 300+ active angels and VC/PE players who completed over 300 transactions. Several VC/PE investments occurred during the expansion stage. Furthermore, according to data, Indian startups raised approximately \$6.5 billion (Rs 42,300 crore) from investors in the previous 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.

• Government Funds for Startup firms: -

The Government of India's funding has been the most important pillar for

young entrepreneurs in India. The Indian government has greatly aided start-up firms in performing and sustaining in both the domestic and global markets by launching several plans. There are many government and semi-government initiatives to help startups.

• Startup India Initiative

The Start-Up India initiative, launched by India's honourable Prime Minister, Mr. Narendra Modi, is a great relief for start-up firms, providing them with a final break from India's traditional License Raj. The programme includes three-year tax and compliance breaks aimed at reducing time-consuming government regulations and red tape.

• Make in India Initiative

"Make in India" has encouraged not only manufacturers, but also Indian buyers to trust and invest in domestic brands.

• MUDRA Yojna

Many small business owners have difficulty obtaining loans or financing to start or run their businesses. They will be able to easily obtain bank loans through this scheme in order to

establish, grow, and stabilise their businesses. Banks typically require large collaterals when small businesses apply for loans, rendering their operations unsustainable. AIM (Atal Innovation Mission): This is an innovation promotion platform launched by Mr. Arun Jaitley, India's finance minister, during the 2015 budget that includes academics, entrepreneurs, and researchers.

- **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.

- **E-biz portal**

To reduce the complexities and barriers to starting a business, the government launched an e-biz portal that consolidates 14 regulatory permissions and licences into a single source. The widespread use of this portal will result in faster clearances

and an overall improvement in the ease of doing business in India.

Unicorns Of India

India has 107 unicorns with a total valuation of \$ 340.79 billion as of September 7, 2022. The most Indian unicorns were born in the years 2021, 2020, and 2019, with 44, 11, and 7 unicorns born each year, respectively. COVID-19 has caused significant socioeconomic suffering around the world, but it is at this time that the resilient Indian entrepreneurs have worked tirelessly to not only contribute to the economy but also to COVID-19 relief efforts. More than ten unicorns are expected to be born in 2020. 'It's unicorn raining' has been the year 2021's motto, with 44 unicorns pumped into the ecosystem and many unicorns waiting in line.

Geographically, Bengaluru is the centre of India's high-tech industry, and it is India's unicorn capital, with the most unicorn headquarters, followed by Delhi (NCR) and Mumbai. While we see unicorns in Tier I cities, this ecosystem is not limited and is spreading all the way to the last district.

Traditional sectors such as E-commerce, Fin-tech, E-commerce, Supply Chain & Logistics, Internet Software & Services continue to dominate the arena, but a strong wave of unconventional sectors such as Content, Gaming, Hospitality, Data management & analytics, and so on are making inroads.

While every startup has its unique journey to becoming a unicorn, the minimum and maximum time taken by a startup to become a unicorn are 6 months and 26 years, respectively. Mensa Brands took only 6 months to become a unicorn in 2021, making it one of fastest unicorns in Asia.

Indian Startups turned Unicorns in 2021

India will have 44 unicorns with a total valuation of \$ 93 billion by 2021. Bengaluru, Delhi NCR, and Mumbai remain the most popular cities for unicorn headquarters in 2021. Unconventional sectors and sub-sectors such as NBFCs, Conversational Messaging, Cryptocurrency Exchanges, D2C, Cloud Kitchens, and many others made their way into the unicorn space.

Indian unicorns are also looking into public listing options as a next step in realising their growth potential. Zomato, Nykaa, Policy Bazaar, Paytm, and Freshworks are among the big unicorn names that have offered an IPO, with many more on the way, including Delhivery, Mobikwik, and Car Dekho.

Today, one out of every ten unicorns born worldwide is born in India. Overall, the number of startups joining the unicorn club has increased exponentially in 2021. This is a testament to India's thriving startup ecosystem. Until now, 2022 has seen the birth of 21 unicorns worth a total of \$ 26.99 billion (as of 07th September 2022).

Findings: -

A] Opportunities

- Startups have the potential to create jobs, spur economic growth, and innovate in the market.
- Startups can benefit from government initiatives that provide funding, tax incentives, and regulatory support.
- Government can help startups access public markets, and provide support for research and development.

- Government can provide a platform for entrepreneurs to network and exchange ideas.
- Government can offer training and mentorship to budding entrepreneurs.

B] Challenges

- Startups often lack the resources and expertise to navigate the regulatory landscape.
- Governments may not understand the needs of startups, leading to a lack of suitable initiatives.
- Startups may find it difficult to access public markets due to complex regulations and lack of capital.
- Government initiatives may not be adequate to provide the necessary support for startups.
- Governments may not have the resources or capacity to provide training and mentorship to budding entrepreneurs.

Conclusion: -

The role of the government in fostering a favourable business environment for startups is an important one. Governments need to provide a strong

regulatory and legal framework, access to funding, and tax incentives so that startups can flourish. Furthermore, governments must create a supportive ecosystem that is tailored to the needs and capabilities of startups, including a supportive community, access to mentoring and other resources, and a culture of education and innovation. By recognizing the unique challenges and opportunities associated with startups, governments can provide the necessary support to help startups succeed and create a thriving economy for the future.

Unicorns have created a new wave of opportunities and challenges in the business world. The opportunities they present are vast and include the ability to scale quickly, access to new markets, access to vast capital, and the potential to disrupt existing industries. The challenges they face, however, are also substantial and include the need to scale efficiently, the risk of disruption, and the need to manage regulatory and legal issues. Despite these challenges, the potential rewards of succeeding in the unicorn space are immense. With the right strategy, vision, and resources, organizations can capitalize on the opportunities presented by unicorns and

navigate the challenges to become successful and profitable.

In conclusion, it is evident that the role of the government in fostering a favourable business environment for startups is immensely important and should not be overlooked. Governments must provide a conducive business environment by creating a legal framework to protect the rights of startups and by providing incentives that encourage investment in startups. Furthermore, governments should look to facilitate access to finance and provide a supportive ecosystem of resources to help startups succeed. By doing so, governments can nurture a strong and vibrant startup culture that encourages entrepreneurship and innovation.

Suggestions: -

1. Encourage government-funded support for startups, such as grants and incentives, to help them get off the ground.
2. Establish a streamlined process for startups to access financial resources.
3. Encourage collaboration between the private and public sector to benefit startups.

4. Introduce tax incentives for startups to help them remain competitive.
5. Provide access to mentorship and networking opportunities to help startups gain visibility.
6. Create regulations that protect startups from unethical practices of large corporations.
7. Promote awareness of the benefits that startups can bring to the economy.
8. Establish an online platform to help startups connect with potential investors.
9. Create an environment that allows for experimentation and innovation.
10. Invest in research and development to foster the growth of startups.

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