

“A STUDY ON ISSUES AND CHALLENGES OF START-UPS IN INDIA”

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ABSTRACT:

Start-up India is a flagship initiative of the Government of India, intended to catalyse start-up culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India. the Government plans to empower start-up ventures to boost entrepreneurship, economic growth and employment across India.

There are various marketing and financial challenges and issues faced by start-up companies in India. The paper discusses few issues and challenges that an Indian start-up has to face and the opportunities that the country can provide in the current eco-system Also some suggestions for how to overcome the marketing challenges can be provided.

Keywords: *Indian Start-ups, Challenges and Issues, Innovation, economic growth, entrepreneurship, eco-system.*

INTRODUCTION

It was launched by the Hon'ble Prime Minister on 16th January, 2021 at Start-up India International Summit: Prarambh. A start-up is often financed by its founders and may attempt to attract outside investment till business gets proceed in a successful way. Every big business begins with a start-up which only existed in someone's mind before they made it a reality. A start-up is a company that's in the primary stages of business. Though entity founder takes a business idea. In many situations, a wide range of business models practiced by start-ups. In addition, some early-stage start-ups may not even have a business model. The action plan of this initiative is focussing on Simplification and Hand holding.

STARTUP INDIA ACTION PLAN

The main goal of Start-up India is the development of products and services. It also increases the employment rate in India. Benefits of Start-up India Scheme is Simplification of Work, Finance support, Government tenders, Networking

opportunities. The Government's Action Plan will help accelerate the growth of start-ups throughout India, across all important sectors – in Tier 1, 2 and 3 cities, including semi-urban and rural areas – and includes promoting entrepreneurship among SCs/STs and women communities. The Start-up India Action Plan was unveiled by Prime Minister Narendra Modi on 16th January, 2016 to highlight several initiatives and schemes proposed by the Government of India to build a strong eco-system. It nurtures innovation and empower start-ups across India. The 19-point Action Plan, organized by the Department of Industrial Policy & Promotion (DIPP), focuses both on restricting hindrances and promoting faster growth by way of:

- ❖ Simplification and Handholding
- ❖ Funding Support and Incentives
- ❖ Industry-Academia Partnership and Incubation

RESEARCH METHODOLOGY AND DESIGN

The research study is based on the primary as well as secondary data. It's collected through journals, magazines, newspapers, research papers, books and websites etc. The start-ups in India are registered with ministry of corporate affairs. Founders/ Owners of the start-ups form the universe of the study.

OBJECTIVES OF THE STUDY

1. To examine the various issues and challenges of start-ups
2. To identify various government initiatives for the development of start-ups.
3. To analyse the growth and opportunities of start-ups

ISSUES AND CHALLENGES OF STARTUPS SOME OF THE MAJOR ISSUES AND CHALLENGES ARE DISCUSSED BELOW

✚ **Fierce Competition:** The Competitive environment keeps low prices, but also bewildering choice. There is no margin of error available. E.G.: B2B, B2C organizations. To confront fierce competition with confidence and determination Learn from your competitors, know your customers well, collaborate with competitors, Be innovative.

✚ **Unrealistic Expectations:** In order to succeed in a competitive business world, start-ups need to have keep view of the resources available, find plenty to

criticize in yourself and others, the extent of growth potential, and other market factors as well. even if those plans fall through. Navigating the world of unrealistic expectations is good exercise in stating solutions. Create and keep a regular routine, even in the midst of uncertainty. Reflect on life's new pace.

- ✚ **Creating awareness in markets:** start-ups fail due to lack of attention to limitations in the markets. The environment for a start-up 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 start-up has to build everything from scratch.
- ✚ **Cyber Security:** In order to safeguard the all-important online data, start-ups need to have robust and military-grade security systems in place. A virtual private network (VPN) connection serves the purpose of protecting a start-up's information, and employee records, with encryption and data security.
- ✚ **Financial Management:** It is the process of planning, organizing, controlling financial resources with a view to achieve organizational goals and objectives. example of financial management is the work done by an accounting department for a company. There are four basic principles of financial accounting measurement: (1) objectivity, (2) matching, (3) revenue recognition, and (4) consistency.
- ✚ **Winning Trust of Customers:** Start-ups work aggressively to implement a customer's trust and loyalty. It focuses on communication and transparency by Encourage your customers to leave reviews. Don't remove all negative feedback. E.g., Reassure customers by reviewing what they've said and confirming you got it right before working on the answer or solution.

OPPORTUNITIES FOR STARTUPS

In spite of challenges and problems that start-ups are facing, Indian markets provide a plethora of opportunities to find solutions tailored to solve them. Below is a list of few of the opportunities that are discussed for consideration by start-ups.

❖ **Self-Certification for start-ups:**

The main objective of Start-up India is to enable start-ups to focus on their core business by reducing the regulatory burden on them and keep the cost of compliance

as low as possible. Certain regulatory formalities that require compliance with a number of labour and environment laws tend to be time consuming and complex in nature. Therefore, the procedure for conducting inspections shall be made simpler by allowing start-ups to self-certify compliance with 9 labour and environmental laws using the start-up mobile app.

❖ **Setting Up of Start-up India Hub:**

In order to help the entrepreneurs to exchange knowledge and get access to financial aids, a single contact point for start-up foundations in India an all-India hub will be created. The Start-up India Hub will facilitate the collaboration with Central & State Governments, banks, legal partners, consultants, universities and R&D institutions. The programme encourages and promote innovation also facilitates the organization of mentorship programs.

❖ **Convenience through Mobile App:**

A mobile application has been launched for the purpose of facilitating interaction between start-ups and Government agencies for exchange of information among various stakeholders. The mobile app enables the registration of start-ups with Ministry of Corporate Affairs and Registrar of Firms, to track the status of the registration application, to file various compliances and other such services.

❖ **Quick and Simple Exit:**

In case of failure of business, reallocation of capital and other resources to more productive avenues is quite a critical task. Hence, a quick, simple and easy process has been proposed to wind-up operations for start-ups which will facilitate the promotion of entrepreneurs and encourage them to come up with new and innovative ideas without the fear of facing a complicated exit procedure.

❖ **Provision of Credit Guarantee Fund:**

Credit guarantee fund would facilitate the flow of Venture Debt from the formal Banking System thereby helping to overcome the failure of start-up enterprises in general. This would also help to encourage start-up businesses in terms of experimentation and innovation.

❖ **Provision of Tax Exemption on Investments above Fair Market Value:**

In the case of start-up businesses, wherein the idea is still at the initial stages of development, it is complicated to determine the Fair Market Value of such shares. As per The Income Tax Act, 1961, where a start-up company receives any consideration for issue of shares which exceeds the Fair Market Value (FMV) of such shares then

such excess consideration is taxable. Presently, the investments made by venture capital funds in start-ups has been exempted from tax and the same shall be applicable to the investment made by incubators

❖ **Atal Innovation Mission:**

The Atal Innovation Mission (AIM) which is a part of the Start-up India programme will have two main functions which includes promotion of entrepreneurship through Self-Employment and Talent Utilization (SETU) . Innovation promotion which motivates start-ups to come up with innovative ideas.

❖ **Innovation Focused Programs for Students:**

The Government so as to promote research and innovation among young students shall execute measures like Innovation Core program to target school kids, National Initiative for Developing and Harnessing Innovations in order to award INR 10 lakhs to 20 student innovations and Uchhattar Avishkar Yojana for fostering very high-quality research amongst IIT students.

❖ **Promotion of start-ups in the Biotechnology Sector:**

The Department of Biotechnology In order to promote start-ups in the sector would along with its Public Sector Undertaking undertake measures like setting up of Biotechnology Research Assistance Council (BIRAC), Equity Funding and other such initiatives.

CONCLUSION

The economic scenario in India is on gain 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’, ‘Start-up India’, MUDRA etc. ‘Make in India’ is great opportunity for the start-ups. With government going full hog on developing entrepreneurs, it could arrest brain drain and provide an environment to improve availability of local talent for hiring by start-up firms. The start-up arena 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 start-ups 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 start-ups would become unicorns and may become world renowned businesses by expanding into other developing and underdeveloped countries.

Although the Start-up India programme and its initiatives are an excellent idea for Indian start-ups, there are certain loopholes in the scheme and other areas in the implementation mechanism. In addition to this, the start-ups will have to prove that their innovation has significantly improved existing processes in order to be eligible for various schemes and exemptions. Also, there would still be Government interference in the self-certification process as there is no self-certification whereby the start-ups can judge that their "improvement" is "significant". It is also beyond understanding as to why the benefits from such schemes cannot not be extended to all start-ups in the nation depending upon a specific transparent criterion. Apart from this, it is not the Government but the market that should identify innovation whereas the Government should try and place emphasis on creating conditions for innovation. It is also highly possible that the income tax exemption will be made available only to those vetted by an inter-ministerial panel which is against the intention stated by the Government to remove exemptions in corporation tax. and also to close various loopholes in the system. Rather than income tax exemptions, there could be increased focus regarding the simplicity of compliance with tax requirements. Investments in start-ups have been exempted from long-term capital gains mainly to improve the ease of investing in start-ups which will needs to be watched carefully especially against real estate manipulators.

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