

Startups in India: Present Scenario and the way forward for Sustainable Development

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ABSTRACT

The term startup has become synonym to growth, entrepreneurial traits, vision and futuristic approach. India stands on the greatest resources but the only challenge is about creating a mindset and incubation for such startups. Various initiatives have been taken by the government from time to time for startup development in the country. Entrepreneurship has attracted the attention of policymakers in India. A series of high-level initiatives, including Startup India, have been launched to promote private sector development. The growing investor confidence in Indian Startups is overwhelming and is seen gaining momentum across varied phases of growth in a startup journey. Recent years witnessed a significant change in India's entrepreneurial landscape from the founding of new Startups to global investor interest, to the advances made in infrastructure and policies. The main purpose of this paper is to analyse the present scenario of Startups in India in recent years, to examine opportunities and challenges with reference to startups in India, to critically evaluate the role of the government for development of startups and finally to suggest ways to make startup environment more sustainable in India.

Keywords: Startups, Innovation, Opportunities, Business, Growth

1. INTRODUCTION

The Indian startup ecosystem is transitioning from a young, undeveloped ecosystem to a mature ecosystem. The Indian startup ecosystem has grown spectacularly during the past 10 years from a mere 29,000 startups in 2014 to over 1,40,803 startups in 2024. The Indian startup ecosystem is dominated by a few big unicorn firms (Unicorns are companies valued at over \$ 1 billion) in every sector.

A startup is essentially any enterprise that focuses on the creation, marketing, and advancement of innovative products, services, or systems driven by pioneering technology or intellectual assets. Over the past two decades, the landscape of Indian startups has experienced exponential growth, with a surge in available support across all sectors.

Startups serve as catalysts for a fresh perspective on entrepreneurship, extending a helping hand to newcomers in establishing their ventures, and fostering interconnectivity to form a vibrant network of startups. Such initiatives are poised to particularly benefit the country's most talented youth, empowering them to spearhead job creation efforts.

According to official government directives, an entity earns recognition as a startup if it actively engages in the development, commercialization, and innovation of new products, services, or processes driven by intellectual property or technological advancements. The entrepreneurial landscape in India has witnessed an inundation of business ventures, with notable successes like Flipkart, Snapdeal, Paytm, and Ola, sparking conversations around skyrocketing valuations.

India is a developing nation with a population ranked second. One of the main forces behind job chances and economic growth are startups, which also raise per capita income and have a favourable effect on the economy. Securing capital for an inventive product or procedure is the primary obstacle faced by newly established businesses. A significant number of young people have demonstrated their entrepreneurial abilities through the establishment of their own start-ups. The ability to foresee business opportunities and act entrepreneurially is necessary for every business idea to succeed.

2. LITERATURE REVIEW

Meenakshi Bindal, Bhuwan Gupta, and Sweetie Dubey, in their paper titled "Role of Startups on Indian Economy" published in the International Journal of Engineering and Management Research, aims to analyse the initiatives taken

under the Startup India campaign. Their study endeavours to comprehend the challenges encountered by startups and assess their impact on society.

Dr. Ravi Gor, in his article titled "Impact of Startups on Indian Economy" published in a journal with ISSN: 0474-9030, Volume 68, Number 23 in 2020, underscores the transformative potential of startups in shaping the future. He emphasizes that startups, fuelled by innovation and creativity, have the power to revolutionize industries and drive economic growth. According to Dr. Gor, entrepreneurship emerges as the primary catalyst for enhancing the economic prosperity of a nation. He asserts that even a modest idea has the potential to evolve into a groundbreaking solution, thereby transforming the trajectory of one's future. Dr. Gor advocates against stifling one's dreams due to fear of failure and encourages individuals to embrace risk-taking and venture into entrepreneurship. He suggests that nurturing ideas into startups not only contributes to individual success but also fuels the growth of the nation.

Startup companies are newly born companies which struggle for existence. These entities are mostly formed based on brilliant ideas and grow to succeed (**Salamzadeh, A.; Kawamorita Kesim, H.**, 2015).

An entrepreneur has to face tremendous challenges to transform that business idea into profit making company (**Kurode, et. Al.** 2016)

Making capital more accessible and cheaper, easier patent filing, giving research and development credits, and easier entry and exits are critical to the success of Startup India (**Dr. Shailja B., Vivek S.** 2016).

The most comprehensive paper describing investment trends in the Indian startup ecosystem is by **David et al** (2020). The paper analysed trends in investment in the Indian startup ecosystem from 2015 – 2019, exhibiting stage-wise, sector-wise and geographic distribution of investment. Describing different schemes under which startups can avail benefits in India, they estimated a regression model to understand factors influencing startup investment in India.

Shetty (2017) analyses venture capital funding across India, China and USA and finds that compared to the USA and China, Indian venture capital performance is comparatively lower, but the Indian consumer technology sector has tremendously attracted venture capital investments.

Mittal and Garg (2018) and **Dutta** (2016) describe benefits that startups can avail of under the flagship programme of the government 'Startup India'. Significant of those are few tax exemptions and long-term capital gains, self-certification, legal support for filing patents and incubation facilities.

Nipun Mehrotra (2018), "The Indian start-up community, ranked third globally in terms of number of start-ups, has been creating new job opportunities and attracting capital investment. We believe that start-ups need to focus on societal problems, including healthcare, sanitation, education, transportation, alternate energy management and others, which would help deal with the issues that India and the world face. These require investments in deep technology and products which are built to scale globally.

3. OBJECTIVES OF THE STUDY

1. To understand the start-ups and their significance.
2. To analyze the present scenario of Indian Startups in recent years.
3. To analyze the opportunities and challenges with reference to startups.
4. To identify various government initiatives for the development of startups.
5. To give suggestions to make the startup environment more conducive in India.

4. RESEARCH METHODOLOGY

The main source of data used for the study is secondary data. This research follows the analytical research methodology which is based on the quantitative data. The information related with study has been collected from websites, journals, magazines, newspapers, government reports and books.

The present study is analytical research in nature. The study attempts to analyse the growth and potentials of startups in India, the opportunities and challenges faced by the startups. The information and inputs are gathered from various sources (Secondary sources) to establish arguments and counter argument for start-ups in India. Present methodology advocates qualitative research, thus making this research paper a qualitative research paper.

5. DATA ANALYSIS

Along with government initiatives, there is a definite movement in startup arena in India due to penetration of Information Technology and effective Internet Services. Many startups are coming up in service sector including education, legal, retail, insurance and health.

India being a large country with over 140 Cr populations, and has the advantage of youngest population in the world within the age group of 10-24 years and this fact is going to be the driving force behind innovation and creation with commensurate demand and consumption of goods and services (Mittal, 2014). There are examples of few startups that failed and eventually closed their businesses due to various issues and challenges.

5.1 Startups: Major Opportunities

- **Self-Certification for Startups**
The main objective of Startup India is to enable startups to focus on their core business by reducing the regulatory burden on them and keep the cost of compliance as low as possible.
- **Setting Up of Startup India Hub**
The “Startup India Hub” will facilitate the collaboration with Central & State Governments, banks, incubators, legal partners, consultants, universities and R&D institutions. The programme also facilitates the organization of mentorship programs who encourage and promote innovation.
- **Convenience through Mobile App**
The mobile app enables the registration of startups 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.
- **Fast Tracking System**
The filing of patents, trademarks and designs by innovative startups has been facilitated by the scheme for Startup Intellectual Property Protection.
- **Quick and Simple Exit**
A quick, simple and easy process has been proposed to wind-up operations for startups 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 startup enterprises in general.
- **Promotion through Tax Exemption for 3 years**
The profits of startup initiatives shall be exempted from income-tax for a period of 3 years in order to stimulate the startup development in India.
- **Atal Innovation Mission**
The Atal Innovation Mission (AIM) which is a part of the Startup India programme will have two main functions which includes promotion of entrepreneurship through Self-Employment and Talent Utilization (SETU) and innovation promotion in order to motivate startups to come up with innovative ideas.
- **World Class Incubators**
The Government has been looking forward to make investments in establishing world class incubators and for this, the Government shall identify and select incubators which have the potential to become world class. These incubators shall be the reference models for other incubators that will be set up so as to offer best-in-class services.

5.2 Startups: Major Challenges

- **Finances**
Obtaining sufficient funding to begin and continue operations is a major challenge. Particularly in industries with intense competition, startups may find it difficult to draw in investors or get loans.
- **Market Competition**
It can be alarming to take on well-established businesses with bigger budgets, resources, and name recognition. Startups need to figure out how to set themselves apart and secure a market niche.
- **Marketing and Sales**
It might be challenging to raise awareness and attract clients on a tight budget. In order to succeed, startups frequently need to use innovative and unique marketing and sales techniques.
- **Managing Cash Flow**
It is essential for survival to strike a balance between income and expenses, particularly in times of erratic earnings or unforeseen expenses. For startups, managing cash flow is a continuous problem.

- **Risk Management**

There is a lot of risk associated with startups by nature, including the possibility of unanticipated difficulties, market volatility, and technology outbreak.

- **Founder Burnout**

Founders' physical and mental well-being may suffer as a result of the strain and stress of operating a firm. Preventing burnout and upholding a sound work-life equilibrium are essential for long-term productivity and innovation.

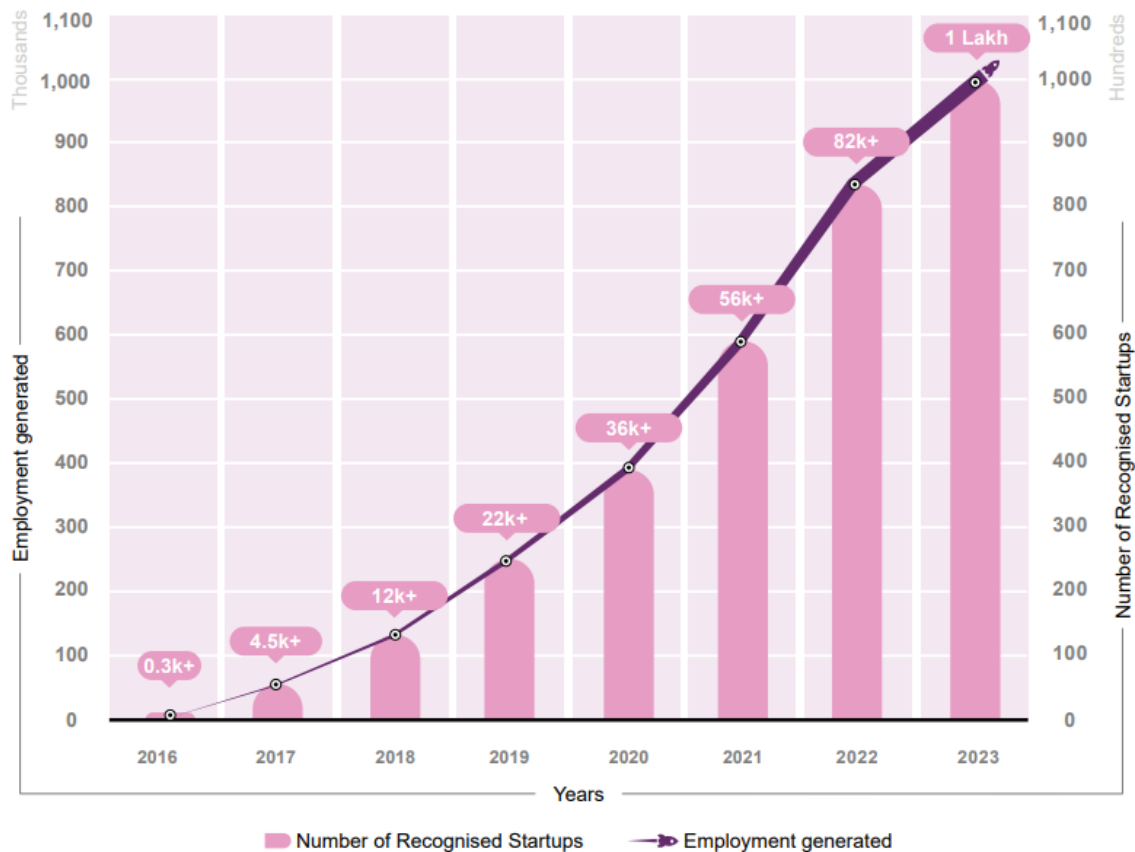


Figure 1. Growth of Recognised Startups and Employment Generated
Source: startupindia.gov.in

5.3 Patterns of Indian Startups

- The growth in startup is huge and continuous with the efforts of both government and private decision makers.
- The roles of startups have been in uplifting the overall status of living of country by providing qualitative services with international standards.
- Universities, colleges, schools or even government departments have turned themselves into startup incubators to further surface the possible startups ideas.
- The most important element in Indian startups is they are highly urban centric.
- Most of the startups in India are largely based on Information technology.
- Startups are boosting the economy by providing the services/products with added services to customers.
- In today's Scenario competition is always better for customers to break the monopoly.
- Lack of experience in running and managing a full-fledge firm.
- Lack of adequate financial support where startups have to struggle a lot.
- Poor or mismanagement of the startups often leads to failure of startups.
- Business model failure is the main cause of startup closure and failure in India.

- Required Professional consultation and assistance is not available to founders or dreamers.

6. FINDINGS AND CONCLUSION

1. Startups are the future of employment. The traditional career path has changed, and people are increasingly focusing on startups considering earning potential.
2. Indian startups are prioritizing key elements such as education, talent acquisition, innovation, and collaboration with incubators, aiming to cultivate a conducive environment for growth. The government's active involvement in supporting developing businesses further supports this growing ecosystem.
3. Startups are one of the significant ways to solve the critical problems humanity is facing with the help of innovative solutions.
4. Startups serve as platforms for entrepreneurs to educate and inspire others, fostering a culture of innovation and enterprise. Despite encountering challenges, entrepreneurs exhibit resilience, channelling their energies towards strategic planning and execution while contributing to economic development.
5. The government has introduced initiatives aimed at expediting business setup processes, facilitating smoother exits, providing tax incentives, and streamlining patent registration procedures. These initiatives hold immense potential for job creation, especially amidst declining sectors like manufacturing. However, for a new idea to flourish into a successful venture, it necessitates comprehensive support, coordination, and mentorship from various stakeholders, including the government and the wider community. Such collaborative efforts are pivotal in nurturing an ecosystem conducive to startup growth and sustainability.
6. Through the Startup India initiative, Government of India promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle.
7. The adoption of blockchain and fintech-based money movement gained momentum post-pandemic, paving the way for decentralized frameworks aimed at facilitating cross-border capital investments while enhancing security for businesses and investors alike.
8. Navigating through a pivotal juncture, numerous firms within India's startup ecosystem are grappling with critical decisions regarding their future expansion strategies.
9. Despite facing formidable challenges in global markets, India stands out as a beacon of resilience compared to affluent nations like the United States and Europe, a trend expected to persist in the foreseeable future.
10. India, 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.

7. RECOMMENDATIONS

Startups are subject to various challenges and barrier in India, but the environment is changing and government has started taking startups very sincerely and made their development government's priority. The recent introduction of Startup India Initiative is a great example of Indian government's determination towards creating India a startup hub. The suggestion to improve the startup scenario and making India the startup hub are as follows:

1. The entrepreneurs must undertake a proper and cumbersome market research related to their product and services to know the present and future as well past trends of market/buying behaviour.
2. Entrepreneurs have to constantly educate themselves towards the recent market.
3. Proper management of resources and intellectual assets have to be made sure.
4. Be competitive with the existing as well as future rivals.
5. More and more incubation and acceleration centres are needed to setup in the non-urban/rural areas.
6. If the efforts of incubation centres and acceleration centres are realized fully, there is no doubt that India shall become the hub for the startups in the world i.e. move towards becoming an entrepreneurial economy.
7. We need to create an environment where entrepreneurs feel confident that they will not face any obstacles if they develop business models for the benefit of the poor.
8. Government measures and subsidies are poised to significantly enhance the startup ecosystem in India by providing crucial support and incentives.
9. By empowering individuals with the necessary tools and information, the government can catalyse a dynamic

entrepreneurial landscape, paving the way for sustainable growth and success in the startup sector.

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