



# Indian Startup Ecosystem – Challenges and Opportunities

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**Abstract:** *India is a growing market for entrepreneurs and businesses. The startup ecosystem in India has become a global topic of discussion. The business world has seen an explosion of ground-breaking startups giving solutions to genuine problems at a mass level in recent years, thanks to hundreds of bright young people deciding to pursue startups instead of joining multinational businesses and government enterprises. Young entrepreneurs starting tiny enterprises would undoubtedly help the Indian economy in the near future. Indigenous companies will not only make people's lives easier through their economical and convenient services, but they will also work as a vital booster for the Indian economy's development and prosperity. If you're just starting out in business, be prepared for both problems and possibilities that will arise. Entrepreneurs and startups cannot create a large business without overcoming these hurdles. This paper discusses the challenges and opportunities of startup system in India.*

**Keywords:** Startups, Entrepreneurship, Entrepreneur

## I. INTRODUCTION

There was a time in India when government employment were highly valued. People were afterwards tempted by increased pay scales and other perks offered by numerous private sectors or multinational firms. The emergence of entrepreneurship in India can be attributed to a number of factors, including globalisation and the rise of the IT industry in the 1990s. Today, the Indian economy is undergoing a massive transformation, with new strategies focusing on and expanding the role and contribution of entrepreneurs.

Startups are expected to dominate the Indian market in 2016, particularly in the online retailing and service industries, where high-priced corporate entities have been founded. Furthermore, by 2022, it is expected that there will be over 11,500 startups in India, which will alter the way markets operate today. Today's India is ready to follow in the footsteps of business moguls Steve Jobs and Mark Zuckerberg by following their emotions. Furthermore, with India's conducive atmosphere for establishing a business and a plethora of entrepreneurship opportunities, an increasing number of people are willing to take the plunge.

The Government of India has been the most important source of funding for India's young entrepreneurs. The Indian government has greatly aided start-up enterprises in performing and sustaining in both the domestic and global markets by implementing many schemes. There are a slew of government and semi-government initiatives aimed at assisting entrepreneurs. There are two types of startup companies. One who starts something from the ground up, something no one has ever dreamed of before, and is frequently groundbreaking. This type of business is tough to start, but once established, it often experiences rapid growth. The second type of startup that we see around us is one that does not wish to reinvent the wheel. They're similar to using an old sauce in a new dish to make something unique.

Whatever the type of business, Indian startups confront a unique set of problems as well as some exciting prospects. Startups provide a platform for entrepreneurs with the capacity to think outside the box and develop in order to produce products that can carve out a place in an ever-changing environment. In the medium to long term, startups have the potential to be the engine of growth. Despite the COVID-19 pandemic, India's startup environment has been thriving.



The Indian government launched the 'Startup India, Stand-up India' campaign to help entrepreneurs build their businesses. The Indian government has recognised a total of 41,061 startups as of December 23, 2020, with more than 39,000 firms reporting 4.7 lakh jobs.

In addition, a Fund of Funds for Startups (FFS) was formed with a total capacity of Rs 10,000 crore, with contributions divided throughout the 14th and 15th Finance Commission cycles based on implementation progress. So over the previous two decades, the Indian startup ecosystem has changed dramatically. More players have entered, offering various types of support to companies. As a result, the ecosystem has grown tremendously and is currently maturing.

## II. CHALLENGES OF STARTUPS IN INDIA

The Indian market provides many prospects for businesses, and startups, in turn, have high hopes of promoting growth and creating jobs. In India, more companies have arisen in the previous two decades, and the related ecosystem has grown rapidly. As a result, support has expanded in a variety of areas, including office space and infrastructure, business mentoring and networking, and the availability of financial capital. There is a strong sense of optimism about the ecosystem's future development. Despite this, Indian startups confront tremendous challenges. If not taken care of, these challenges could have serious repercussions. The major challenges faced by startups in India are as follows:-

### 2.1. Culture

In this country, entrepreneurship and startups are a relatively new phenomenon. People in the country have just recently transitioned from job seekers to job producers in the previous decade and a half. Starting a business is difficult, and there are more failures than successes in any country. An entrepreneur must be prepared to encounter failures and unprecedented adversity on a regular basis. However, we are not culturally prepared to fail, and failure is frowned upon. Entrepreneurship thrives on celebrations, and a society that doesn't value business failures suffocates innovation and originality before it even gets started. Failure of a startup is acceptable since it teaches an entrepreneur what to do and what not to do.

### 2.2 Financial Resources

The startup ecosystem in India has become a global topic of discussion. The business world has seen an explosion of ground-breaking startups giving solutions to genuine problems at a mass level in recent years, thanks to hundreds of bright young people deciding to pursue entrepreneurship instead of joining multinational businesses and government enterprises.

### 2.3 Unrealistic Expectations

Success does not happen by itself. It comes with it a set of expectations. Most of the time, these expectations appear practical, but they are only unrealistic in the true sense of the word. For fledgling startups, the same principle applies. Startups frequently experience difficulties when they set "unrealistic expectations" during a period of rapid growth. Success is fleeting, and expectations are endless. This is the point at which startups must translate what the true expectations are. The name of the game is sustainability. And long-term success necessitates regular efforts. In order to survive in a competitive business environment, entrepreneurs must have high but manageable expectations, taking into account the resources available and the extent of growth potential, and other market factors etc.

### 2.4 Revenue Generation

Many businesses fail as they grow owing to a lack of revenue generation. As a company's activities grow, expenses rise in concert with reduced sales, forcing corporations to focus on fundraising and diminishing their focus on the company's core. As a result, revenue generation is critical, necessitating efficient burn rate management, or the pace at which businesses spend money in their early stages. Not only is it difficult to collect sufficient finances, but it is also difficult to expand and maintain growth.



### **2.5 Team Members**

Startups usually begin with a group of trustworthy members who have complementary skill sets. Each member is usually trained in a specific area of operation. The first and most important prerequisite is to put up a solid team; failing to do so can occasionally lead to the startup failing.

### **2.6 Mentorship**

Starting a business is a risky and often lonely endeavour. Although you may have co-founders, you may not have the necessary business skills to thrive. It's one thing to have a wonderful concept and another to turn that idea into a profitable business. It is critical for a startup to have mentors that have gone through a comparable startup process or have business expertise. By providing useful inputs, a superb mentor can frequently be the difference between success and failure. However, there is no institutional mentoring programme in place in the country. Every mentorship session is done on an ad hoc basis. Investors can provide some type of coaching to a firm that has raised capital, but honest, unbiased, good businessmen are preferred. For startups finding a good mentor is often an uphill task.

### **2.7 Infrastructure Support**

Incubators, science and technology parks, business development centres, and other types of support mechanisms play an important part in the lifespan of startups. The lack of such support mechanisms raises the likelihood of failure.

### **2.8 Regulations**

Starting a business necessitates a variety of government approvals. Even though there has been a noticeable improvement, forming a business continues to be difficult. In India, labour rules, intellectual property rights, dispute resolution, and other regulations are strict.

### **2.9 Determination of Founders**

When the going gets tough, startup founders must be tough. The process of beginning a business is riddled with delays, setbacks, and challenges that go unsolved. The entrepreneur must be tenacious, convincing, and never give up until the intended outcomes are achieved.

### **2.10 Making Partnership Decisions**

A lot of government permissions are required to start a firm. Even if there has been progress, forming a business remains difficult. In India, labour rules, intellectual property rights, dispute resolution, and other regulations are quite strict. For startups, forming a partnership pays off handsomely, but they must evaluate a number of aspects before deciding to collaborate with another company in the same ecosystem. Startup businesses should seek out organisations with a strong market presence and a high reputation among industry giants if they want to get the most out of a relationship.

### **2.11 Financial Management**

Money breeds more money. Keep in mind that as your income rises, your expenses will rise as well. There is no denying it. Financial management is one of the most difficult issues that startups confront today. Small businesses do, in reality, rely largely on financial backing from so-called investors. When there is a financial influx, small businesses, particularly startups, find it extremely difficult to properly manage their finances and bog down under the strain. In order to deal with a circumstance like this, startups must play it conservatively and cautiously, keeping all of their cards close to their chests. Using the services of a reputable financial consulting firm can be quite beneficial in navigating the financial challenges that today's fledgling enterprises face.

### **2.12 Aggressive Competition**

The business world is a nasty place. Between the giants, there is always a competition. One of the most significant obstacles to a startup's existence is competition. And if you're starting an online firm, the competition is even greater. Because there is no margin for error, the competitive environment keeps companies on their toes. Both B2B and B2C businesses are always feeling the heat of strong competition. To survive in this competitive business environment, which



includes both traditional and internet enterprises, entrepreneurs must play aggressively and punch above their weight in order to obtain much-needed exposure amid the clusters of constantly challenged and increasing businesses.

### **2.13 Hiring**

The economy has been in flux, and the heady days of high growth, like the international economy, are long gone. It's especially challenging for a startup to generate accurate predictions on the number of personnel needed in an unpredictable market where demand is unknown. This, however, is a small difficulty compared to the larger issue of getting skilled labour. The National Skill Development Corporation (NSDC) has been ordered by the Indian government to train 150 million Indians by 2022. Attracting and hiring talent and qualified individuals is especially tough for a startup. A startup's salary cannot always compete with that of larger corporations, and a position at a startup is not always considered stable. As a result, entrepreneurs have significant employment hurdles and must sometimes settle for the next best alternative.

## **III. THE OPPORTUNITIES OF STARTUPS IN INDIA**

Regardless of the issues and problems that startups face, Indian marketplaces provide a variety of opportunity to create solutions that are specifically customised to address them. The following is a list of some of the opportunities that are discussed for entrepreneurs to examine.

### **3.1 Demographic Advantage**

Despite having a lower population than China, India has the highest concentration of youth population, with 356 million 10-24 year-olds, according to the latest UN study. This is good news for the country because good education and healthcare can boost the economy. Young people are the driving force behind innovation, creation, and the country's future leaders. Youth also influences a country's demand and consumption patterns. Youth also influences a country's demand and consumption patterns. Kids make up the workforce that startups so sorely need, and youth can be a big talent pool for businesses in the future.

Best adapted to addressing the difficulties facing growing countries – India faces a unique set of challenges that necessitate indigenous solutions. Health, education, infrastructure, and sanitation issues are unique to the country, and solutions from the Western world will not fix them. Each challenge presents a unique opportunity for startups to solve a pressing need while also establishing a business. What helps is that most problems in emerging economies are similar in nature, and solutions that work here can also work in many African and other countries. This allows Indian entrepreneurs to grow on a larger scale and at the same time make a meaningful impact around the world.

### **3.2 Large Population**

It is not necessary for domestic startups to expand internationally. With a population of over a billion people, India offers a sizable domestic market for any goods or services. There is a significant desire for brands due to rising disposable income and rising expectations of a mushrooming middle class. The rising population has also resulted in increased consumer spending, which has boosted supply and production. Startups that aim to serve and cater to a big population by addressing a problem or delivering a service in one of the world's most important consumer markets are likely to succeed. India's population is a valuable resource for the country. The working-age population is predicted to overtake the non-working population by 2020. Any startup will benefit greatly from this unique demographic advantage. Startups would benefit greatly from various infrastructure challenges and the bottom-of-the-pyramid market.

### **3.3 Perception of Working-Class**

Traditional professional paths would be phased out in favour of the Indian startup scene. Talented people would flock to startups if they were given challenging jobs and paid well. Several high-profile executives have also been reported to be leaving their positions to start or work for startups.

### **3.4 Innovation Society**

India boasts the world's greatest youth population, which is the most important source of innovation, talent, and future leaders. Education, health, infrastructure, and the widening disparity between people are some issues that India faces.



This creates a significant opportunity for start-ups to solve a wide range of issues. India's middle class is expanding along with its consumer base. The great diversity of India's people creates a strong justification for a diverse economy of services and goods. Banks are a good place for start-ups to look; our banking sector has gotten the most out of our population size.

#### IV. CONCLUSION

India's current economic situation is one of expansion. With the implementation of liberal policies and programmes for entrepreneurs such as 'Make in India,' 'Startup India,' MUDRA, and others, the Indian government is progressively displaying greater eagerness to improve the GDP rate of development from the ground up. For Indian start-ups, 'Make in India' is a fantastic opportunity. With the government focusing entirely on fostering entrepreneurship, it may be possible to halt brain drain and boost the availability of local talent for startup enterprises to hire.

The startup world faces numerous hurdles, ranging from financing to human resources, and from launch through tenacious growth. With such a huge population, there are numerous potential for entrepreneurs to provide products and services ranging from food, retail, and hygiene to solar and IT solutions for everyday problems that may be delivered at low pricing. It's worth noting that some of these firms could become unicorns and world-famous corporations if they extend into other emerging and poor regions.

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