

OPPORTUNITIES AND CHALLENGES FOR STARTUPS IN INDIA

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ABSTRACT:

India is third largest startup ecosystem in the world and also india continues to be the world's fastest growing major economy with GDP projected to grow at 7.3% in FY 2019. Thanks to the increasing automation, the wider adoption of technology, increasing internet penetration and mobile consumption which resulted in rise of startups and incubation programmes combined with microcredit support, government endeavours and schemes in startup space and programmes like skill india, digital india among others. Beside this, The boom of consumerism and digital explosion (specifically via smartphones), also the favourable demographic dividend, a growing middle class and huge domestic consumer market. Add to this the complex problems waiting to be solved at massive scale and expanding pool of investments(both domestic and foreign) are the factors that drives the startup ecosystem to grow and thrive.

Hence the startup ecosystem in india appears to be land of great opportunities but a peek inside will show how startups face myriads of challenges from all quarters – government regulations, fund raising, managing cash flows, corruption and so on. In this article we will discuss all this in detail

KEY WORDS: startup ecosystem, startup opportunities and challenges, Indian startups, Indian startup overview

INTRODUCTION:

It is clear that India's startup ecosystem has become vibrant and mainstream in many ways – in terms of job creation, in terms of solving consumer problems, and in terms of creating products for the rest of the world. Global investors are realizing this and have made a beeline for India. The increasing ease of doing business is also bringing in investors in some much-needed areas encouraging strtups to grow. Here we discuss and analyse the various opportunities for startups

THE FUNDING IN INDIAN STARTUPS:

Over the year the funding in startup has been increasing in India, attracting various investors from around the world like China, Japan, USA etc. The global investors abroad, and also the government of India is promoting the startups by way of giving incentives, tax relaxations, providing incubators and so on. Hence funding is less of a worry for a startups in India.

GLOBAL INVESTORS:

India now has the attention of global major investors like Softbank, alibaba, tencent, and others this has led to emergence of multiple "UNICORNS" like flipkart, ola, paytm, zomato and big basket

GOVERNMENT ASSISTANCE FOR STARTUPS:

The Government of India launched the Startup India action plan in February 2016. This embraced a national policy framework for startups and provided ease of setting up and doing business, promoting foreign investment, job creation and skill development. Further, under this plan, the startup can avail various tax benefits. The Finance Act of 2016 provides an exemption of income tax for three years in a block of seven years from the time of incorporation. And also a GROWING NUMBER of government institutes are launching incubators and government regulations favours allotment of CSR funds to such incubators

INCENTIVES AND INITIATIVES

The Startup India Hub, which went live in April 2016, Startup India hub has been able to handle more than 1,16,000 queries and facilitate more than 660 Startups by providing advisory on business plans, pitching support, etc. A Startup India Online Hub launched will serve as an online platform where all the stakeholders of the startup ecosystem can collaborate and synergise their efforts. More than 2.7 lakh users have registered. Among other benefits, startups can now avail income tax exemption for three years in a block of seven years, if incorporated after 1 April 2016.(reference-1)

STATES WITH STARTUP POLICIES: 22 States viz. Andhra Pradesh, Assam, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Sikkim, Telangana, Uttar Pradesh, Uttarakhand and West Bengal have formulated Startup Policies since October 2014.(reference-1)

ACCELERATORS:

Accelerators typically take companies with working products and provide them with funding, mentoring and business development services over a fixed period of time. Large global companies that have been running accelerator and incubator programmes in India include Microsoft, Walmart Labs, Target, NetApp, Qualcomm Technologies, SAP, Oracle etc. Indian companies have also joined in across sectors with the likes of YES Bank, JioGenNext (part of the \$130-billion Reliance Industries conglomerate), and BusinessWorld.

BOOM OF TECHNOLOGY AND INTERNET PENETRATION:

THE technology has changed the way we do things, startups are using technology to come up with innovative solutions for India's problems. Thus development in telecom and mobile technology spurred local entrepreneurs to capitalize on this opportunity and quickly build scale business. Beside reliance jio has pretty much commoditised high speed internet and made 4G LTE affordable to large population via low cost smartphones, thus opening up a whole new base of consumer online. The Internet and Mobile Association of India (IAMAI) predicts that the country will have close to 500 million active internet users by June 2018. India is also the second-largest market in the world for social media giants like Facebook and LinkedIn.(reference-3)

HUGE CONSUMER MARKET:

India is poised to become the third-largest consumer market behind only the US and China.

Rural India has 68.84 per cent of India's population and 12 per cent of the world's population. India also has a massive youth dividend, which bodes well for the future of digital entrepreneurship. India has more than 50% of its population below the age of 25 and more than 65% below the age of 35. It is expected that, in 2020, the average age of an Indian will be 29 years, raised in a heady environment of rising incomes, aspirations, freedom of thought and speech, and an overactive media. They see themselves as destination driven, not destiny driven. The sky is their limit and the globe is their playground. (reference-2)

CHALLENGES FACED BY INDIAN STARTUPS:

The start-up economy, although may be booming now, it is going through the initial stages of growth and maturity in India. Here are few challenges, typical startups are facing in India

CORRUPTION:

Corruption in india is major challenge faced by the economy. In the survey recently done by localcircle it was found that the major challenge faced by startups was the corruption. Corruption is so deep in the country that it has held the startups from reaching their ambition

LACK OF FUNDING:

One needs money to set up, to make a marketable product and even to take that product to the market. Therein lies the biggest challenge for all startups – funding.

they struggle to find investors because investors were looking at shorter time frames to generate revenues (and returns).Lack of funding remains one of the biggest reasons why startups wind up operations or get acquired by larger rivals.

MORE EXPENSE THAN REVENUE:

It is observed that only very few, large startups have posted profit. In fact, many rely spend huge money to make place in the market. Most startups have a high expenditure as they try to create a market, educate customers and get them accustomed to their offering to capture a good share of the market. The management of this expenditure is crucial for any company. The biggest challenge for companies is a to be profitable; and enable people to pay to use their product or service and keep coming back for more.

UNSKILLED TEAM:

Getting a key hire wrong is a massive setback for a startup.Beyond key roles too, talent is always hard to find because many are sceptical about their future at a startup. After all, 9 out of 10 startups do fail within two years of setting up for a multitude of reasons and finding the right candidates (and keeping them) remains a major pain-point for many startups

LACK OF REGULATIONS

The regulatory framework continues to evolve at its own pace, and in many cases, government regulations are unable to keep up with new innovations and ideas that startups come up with. It is difficult for the startups to carry on business following various regulations, diverting their mind from the core business plans.

LACK OF ENCOURAGEMENT FROM GOVERNMENT

Talking about government scheme benefitting startups, the survey(localcicle) further added that only 18 per cent startups and SMEs claimed to have benefitted from the Startup India scheme. More than 80 per cent did not receive any benefit from the highly publicised scheme

The survey was conducted in over 35k startup community. LocalCircles claims to have got more than 40k responses from startups, SMEs and entrepreneurs across the country.

Corporate leaders, investors, entrepreneurs, and industry experts have all repeatedly voiced the need for the government to help entrepreneurship flourish. (reference-4)

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