

# Startups - Issues, Challenges and Opportunities

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**Abstract:** *The objectives of a startup are to be one's own boss and to create employment to others which warrants lot of endurance and sacrifice. Large population with high percentage of middle income group, educated youth with technical background, IT domination, high internet and mobile penetration are some of the drivers that have thrown up opportunities for spreading startup revolution in India. The 'Make-in-India' initiatives and other government schemes have also given a boost to startups with many individuals entering the fray. Starting a venture is a well planned and disciplined exercise with due consideration of both internal and external factors that may impact the sustainability of the venture.*

**Keywords:** Entrepreneur, Employment, Finance

## I. INTRODUCTION

A startup venture could be defined as a new business that is in the initial stages of operation, beginning to grow and is typically financed by an individual or small group of individuals. It is a young entrepreneurial, scalable business model built on technology and innovation wherein the founders develop a product or service for which they foresee demand through disruption of existing or by creating entirely new markets. Startups are nothing but an idea that manifests into a commercial undertaking.

Grant Thornton (2021) define startup business as an organization which is

1. Incorporated for three years or less
2. At a funding stage of Series B or less (B Series means second round of funding)
3. An entrepreneurial venture/a partnership or a temporary business organization
4. Engages in development, production or distribution of new products/services or processes
5. Revenue of up to INR 25 cr.
6. Not formed through splitting or restructuring
7. Employing 50 people or less

Department of Industrial Policy and Promotion (DIPP) define a startup as an entity incorporated or registered in India with following parameters:

- Established not prior to seven years, (for Biotechnology Startups not prior to ten years)
- With annual turnover not exceeding INR 25Cr in any preceding financial year, and
- Working towards innovation, development or improvement of products or processes or services,
- It is a scalable business model with a high potential of employment generation or wealth creation

It is to be noted that such entity is not formed by splitting up, or reconstruction, of a business already in existence. Also, an entity shall cease to be a startup if its turnover for the previous

financial years has exceeded INR 25cr or it has completed 7 years (biotechnology startups 10 years) from the date of incorporation/ registration (‘Startup India’, 2021)

### 1.1 Government Initiatives

Indian government is serious in promoting entrepreneurship at the startup level and has taken a number of initiatives to ensure appropriate support. In this aspect it is relevant to mention ‘**Make in India**’ campaign introduced in September’14 to attract foreign investments and encourage domestic companies to participate in the manufacturing sector. The government increased the foreign direct investment (FDI) limits for most of the sectors and strengthened intellectual property rights (IPRs) protection to instill confidence in the startups. In order to make the country as number one destination for startups, Government of India (GoI) has introduced a new campaign called ‘**Standup India**’ in 2015 aimed at promoting entrepreneurship among women and to help startups with bank funding. Another commendable and far reaching initiative is ‘**Digital India**’ introduced in 2015 to ensure government services are made available to every citizen through online platform that aims to connect rural areas by developing their digital infrastructure which translates into a huge business opportunity for startups.

### 1.2 The Startup Scenario in India

It is to be noted that every year more than 800 technology startups are being set up in India. By 2020, it is estimated that around 11,500 tech-startups are going to be established with employment potential of around 250,000 technical people (NASSCOM, 2015). It is admirable to note that India is amongst the top five countries in the world in terms of startups with 10,000+ led by US with 83,000+ comprising 43% tech-based firms with 9% managed by women entrepreneurs. The number of incubators also has crossed 100 in 2014-15 to give boost to the startup saga (Grant Thornton, 2020). Sector wise, the distribution of Indian businesses is:

**Table 1:** Break-up of Indian Startup Businesses

<b>Technology Based</b>	<b>Non-Technology Based</b>
E-Commerce - 33%	Engineering- 17%
B2B - 24%	Construction-13%
Internet - 12%	Agri- products- 11%
Mobile apps - 10%	Textile - 8%
SaaS - 8%	Printing & packaging – 8%
Other – 13%	Transport & logistics- 6%
	Outsourcing & support -5%
	Others-32%

Source: Startups India- An Overview, Grant Thornton, 2015

### 1.3. Investments by Big Business Houses

Big business houses are already investing in startups as they cannot use their infrastructure to concentrate on small outfits like startups which require different skill-sets. Industrialists like Ratan

Tata (Ola, Bluestone etc.), Azim Premji (DataStax, Myntra etc.) and many more are investing in startups giving desired traction and respectability to the segment.

#### 1.4. Examples of Opportunities for Startups

Startups in Indian scenario have a tremendous scope in catering to local and niche markets that could be viable and sustainable with early potential of revenue generation. With small area of operations and right product /service the success rate could be high with possible chance for expansion. The bottom-of-the pyramid space is a potential market for offerings ranging from food, clothing, water and hygienic items. The selection of items would be based on the entrepreneurs' expertise and the area of operation.

Given below in Table: 2 is a list of current offerings by startups followed by list in Table: 3 (Low-Tech) and Table:4 (High Tech) of few potential domains.

**Table 2:** List of Current Startups and Area of Operations

Area of Operation	Startup Firm Name
<i>Online food delivery</i>	<b>FRESHMENU, SWIGGY</b>
<i>Online fish, meat delivery</i>	<b>FRESHTOHOME</b>
<i>Big data analytics for trade</i>	<b>PEELWORKS</b>
<i>Online pharmacy</i>	<i>MYRA</i>
<i>Platform to get local businesses online</i>	<b>NOWFLOATS</b>
<i>Logistics management software</i>	<b>FAREYE</b>
<i>Lifestyle tracking platform</i>	<b>HEALTHIFYME</b>
<i>Payments solutions for credit/debit cards</i>	<b>PINELABS</b>
<i>AI-driven solutions for retailers-</i>	<b>STAQU</b>
<i>Packaged ready-to-cook idli /dosa batter</i>	<b>IDFOODS</b>
<i>Peer-to-peer lending</i>	<b>FAIRCENT</b>

Source: 17 Startups to Watch, TOI, 2017

Other areas with tremendous potential for startups to establish themselves and thrive are listed in Table: 3 and Table: 4 as low-end and high-end ventures with varying degree of investments and resources. These ventures could be solution providers for underdeveloped and developing countries having similar economic profile at a very affordable cost.

**Table 3:** Startup Opportunities- Low-end Ventures

Snacks and Tiffins	Health drinks	Franchising
Waste management	Media support services	Food Processing
Washing and Ironing	Solar Energy products	Retailing
Supply of Drinking water	Education & training	Health& Pharmacy
Diagnostics Centers	IT and ITES	Food Delivery

Source: Author's perspective

**Table 4:** Startup Opportunities- High-end Ventures (Export Oriented)

Auto-Components	Ayurvedic medicines
Horticulture	Software Exports
Engineering Goods	Biotechnology
Organic Farming	Floriculture

Source: Author's perspective

## II. CONCLUSION

The current economic scenario in India is on expansion 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', 'Startup India', MUDRA etc. 'Make in India' is great opportunity for the Indian 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 startup firms. Small contributions from a number of entrepreneurs would have cascading effect on the economy and employment generation which would complement medium and large industries efforts catapulting India into a fast-growing economy

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