

# A Study on The Challenges and Opportunities of Startups Toward Building A Self-Reliant Nation

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## Abstract

In India, the gist of the moment for the past few years has been startups. On the Independence Day address from the Red Fort on August 15, 2015, Prime Minister Narendra Modi spoke of "a new India that taps on the entrepreneurial potential of its people. An initiative has been started to outline a strategy for creating a robust ecosystem for fostering innovation and start-ups in the nation. India uses innovation and entrepreneurship to fuel its development. The action plan has been effective in making India the third-largest ecosystem in the last six years., and the government has tried to maintain this momentum by taking additional steps to support start-ups in the Union Budget 2023. The Government wants startups to be the foundation of New India. The government has repeatedly favored startups and encouraged more indigenous innovation ideas, and taken a step closer to the motto "Atmanirbhar Bharat." It has developed into the starting point for all aspiring entrepreneurs and inventors across the country today. Start-ups have benefited from it in a variety of ways, including by receiving funding, tax breaks, support for intellectual property rights, streamlined public procurement, facilitation of regulatory reforms, and access to foreign festivals and events. The paper focuses on the idea of startups, startup financing issues, marketing issues, the potential for development, identifying obstructions, and offering solutions where startups can flourish. The purpose of this paper is to put some light on the challenges and enablers of startups. The study is based on secondary data.

**Keywords:** Startup; Atmanirbhar Bharat, Innovation

## Introduction

“Startups are the engine of exponential growth, manifesting the power of innovation. Several big companies today are startups of yesterday. They were born with a spirit of enterprise and adventure kept alive due to hard work and perseverance and today have become shining beacons of innovation”-Shri Narendra Modi (Prime Minister of India).

On January 16, 2016, Startup India was introduced as a call to action for the nation's inventors, business owners, and creative thinkers to take the initiative in fostering India's sustainable economic growth and generating significant job possibilities.

Startup India set the groundwork for creating an independent India and utilizing the potential of the country with the world's largest youth population.

Armed with the idea of innovating, developing, and manufacturing in India for the rest of the world. Today, startup India has become a worldwide recognized hallmark of India's fast-paced, constantly developing, and resilient entrepreneurial ecosystem.

A 19-point startup India action plan was launched in January 2016 with the goal of making India one of the largest and most vibrant startup ecosystems in the world, paving the way for the implementation of several policy initiatives to build a strong, conducive, growth-oriented environment for Indian startups. With 30+ unicorns and more than 41000 certified businesses from different states and union territories, India is experiencing a golden period in the history of Indian entrepreneurship five years after the program was first introduced.

The government and several stakeholders have found a way to make the Startup India goal a reality. While the worldwide COVID-19 pandemic caused socioeconomic unrest all over the world, the tenacity and innovations inspired by the Indian startup community made a significant contribution to redefining the foundation of the economy and maximizing the potential of our youth.

The government of India has unveiled "Startup India: The Way Ahead," an action plan to further support the startup movement in India, which is a vital driver of establishing an Atama Nirbhar Bharat, as the world pivots and navigates the unfolding of a refreshed socio-economic landscape. The government hopes to offer an inclusive vision for a thriving and active startup movement with its far-reaching action agenda. A startup is an organization that is incorporated or registered in India, according to the DIPP regulation. An entity shall be considered as a Startup:

- If it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India • Up to ten years from the date of its incorporation/registration.
- If its turnover for any of the financial years since incorporation/registration has not exceeded INR 100 Crore.
- If it is working towards innovation, development, or improvement of products or processes, or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

### **Startup India Action Plan**

On January 16, 2016, the Indian prime minister released an action plan for Startup India. 19 action items make up the action plan, which covers topics like simplicity and assistance, "funding support and incentives," and industry-academia partnership and incubation.

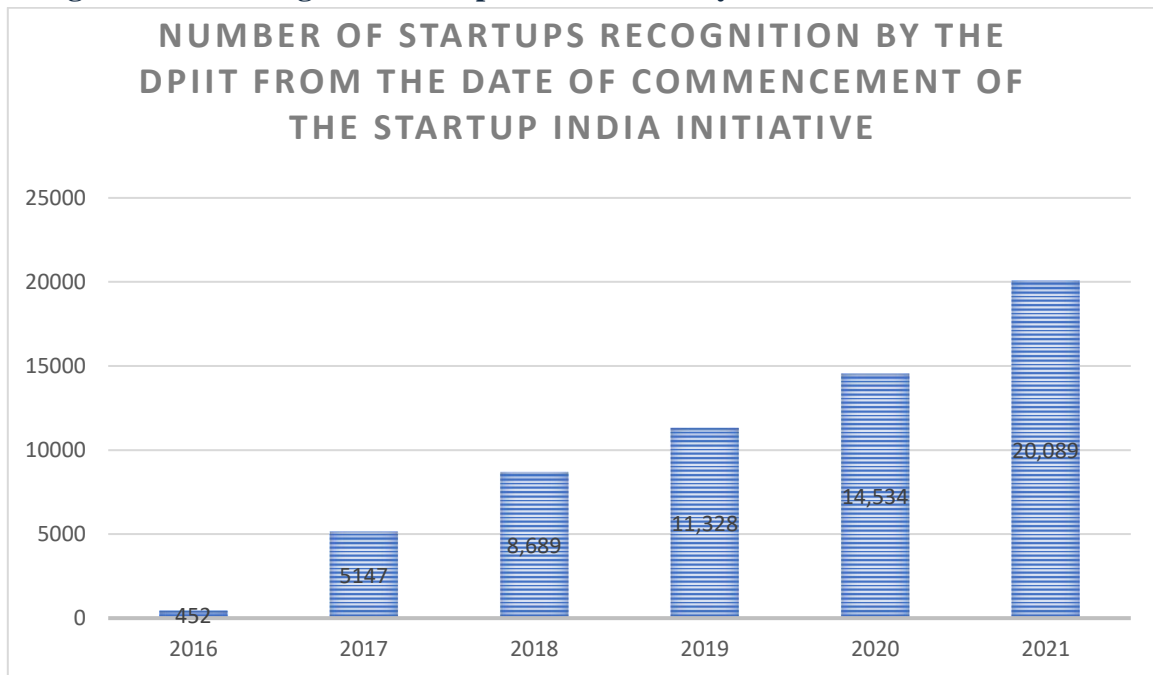
### **Outcomes of start up an action plan**

1. compliance Regime based on self-certification
2. Startup India Hub
3. Rolling out of mobile app and portal
4. Legal Support and fast-tracking patent examination at lower costs
5. Relaxed norms of public procurement for startups
6. Faster exit for startups
7. Providing Funding support through a fund of funds with a corpus of Rs. 10,000 crores.
8. Credit Guarantee fund for startups
9. Tax exemption on capital gains

10. Tax exemption to startups for three years.
11. Tax exemption on Investment above fair market value
12. Organising startup fests for showcasing innovation and providing a collaboration platform.
13. Launch of Atal Innovation Mission (AIM) with self-Employment and talent utilization (SETU) Program
14. Harnessing Private sector expertise for incubator setup.
15. Building innovation centers at national Institutes.
16. Setting up of seven new research parks modelled on the research park setup at IIT Madras.
17. Promoting startups in the biotechnology sector
18. Launching of innovation focused programs for students
19. Annual Incubator Grand Challenge

### Start ups Scenario in India

#### Number of government recognized startups from financial year 2016 to 2022



Source: Ministry of Commerce & Industry, 2022

### Review of Literature

India's economy is currently in an expansionary phase. With the advent of liberal policies and initiatives for entrepreneurs like Make in India, the Indian government is progressively demonstrating greater eagerness to improve the GDP rate of development from grassroots levels. The startup industry has numerous difficulties, including those relating to finances, human resources, and launching and tenaciously maintaining growth (Babu & Sridevi, 2019).

Startups are brimming with potential and are centers of innovation for the Indian market, and they are poised to play major roles in boosting economic growth and improving employment (Prajapati & Alam, 2019).

With a huge population, the country offers a wide range of prospects for entrepreneurs selling goods and services in industries including food, retail, and hygiene as well as solar and IT solutions for solving

everyday issues that may be delivered at low costs. The prospects for start-ups in India are enormous, but so are the difficulties. To solve these challenges, both the government and start-ups will need to work together. (Patel, 2019)

The startup scheme is a fantastic effort by our honorable prime minister for all the young entrepreneurs who have creative ideas but lack a platform on which to launch their businesses. They will now receive tax exemptions for three years and capital gains tax breaks under this program. A lone point of contact for communications with the government. In addition, a startup will have 90 days to close its firm in case of an exit, and there will be many innovation centers, research institutes, and centers built. (Manikandan)

Domestic startup businesses will not only make people's lives easier through their reasonable and affordable services, but they will also play a significant role in the development of the Indian economy. (Pallathadka, 2020)

Startups are not very resilient financially, thus any change in taxation policies like the GST or a policy like demonetization will negatively affect them. All sectors have been impacted by demonetization, which has reduced the rate of development. One of the biggest causes of startup failures is a lack of capital. Most startups continue to lack funding, which ultimately caused them to close. Startups generally have a 90 percent failure rate. Too many startups use the same concept, do not offer creative ideas, work in the same industry, are unable to secure funding, and eventually fold. Inadequate market research is a common mistake made by entrepreneurs when launching a business, which leads to failure. (Dwivedi, 2019).

## **Research Methodology**

The study is based on secondary data which has been collected from journals, newspapers, articles, and websites.

## **Objectives**

1. To identify the challenges and opportunities of startups.
2. To identify government initiatives programme for startups.

## **Opportunities**

### **1.Population**

India's enormous population is a great benefit to the nation. It is predicted that the number of people who are working age will surpass those who are not by 2020. The significant possibility presented by this distinctive demographic advantage is every new business. The market at the bottom of the pyramid and many infrastructure challenges would present businesses with enormous prospects.

### **2.Government funds for startups**

The Government of India's funding has served as the young Indian entrepreneurs' strongest support system. The Indian government has greatly helped start-up businesses to perform and survive in both the domestic and international markets by announcing several schemes. To help entrepreneurs, there are many formal and informal government initiatives.

### **3.Large Investments in Startups from Indian and International Investors**

Foreign and Indian investors, who have demonstrated greater faith in the sector and supplied capital to enable these companies to develop by leaps and bounds, are providing significant support to the startup ecosystem.

## Challenges

**A strong start-up cannot operate a firm on an idea alone. One needs to have a thorough awareness of the current market dynamics, great leadership, and communication abilities, as well as the guts to take calculated risks, in order to turn that idea into a successful firm.**

### 1. Financial capabilities

For entrepreneurs, having access to capital is essential, but it is never easy to obtain enough. Numerous sources of funding are accessible, including family members, friends, loans, grants, angel investors, venture capitalists, crowdfunding, etc. As the business develops, the necessity starts to rise. Business expansion demands timely cash infusion.

### 2. Generation of income

As a business expands, insufficient income generation causes many companies to fail. The focus on the core principles of business is diluted as operations expand and expenses rise alongside declining revenues, requiring companies to focus on fundraising. Therefore, it is essential to generate revenue, which calls for effective burn rate management. To put it another way, the burn rate is the rate at which companies consume money throughout their early stages. It is more difficult to develop and maintain growth than it is to raise adequate money.

### 3. Select the appropriate talent

It can be difficult to find the proper talent for your startup. One of the major issues is locating and hiring the appropriate staff for the company to meet the rising client demands.

### 4. Cultural perspectives and inadequate infrastructure support

In our nation, failure is not often accepted. Our priority continues to be finding respectable positions at respectable organizations. Additionally, it is difficult to acquire infrastructure assistance in India, such as funding and incubation. Any firm could be hampered by an unstable power supply, poor phone reception, etc. A country may attract investors much more effectively if it has an atmosphere devoid of corruption, friendly legislation, adequate connectivity, a healthy environment, and efficient logistic assistance.

## Programme Introduced as Part of the Startup India Initiative

The following list includes information about the numerous initiatives the government has launched nationwide as part of the Startup India initiative:

- **Startup India Action Plan:**

On January 16, 2016, a Startup India Action Plan was unveiled. The Action Plan includes 19 actions that cover a variety of topics, including "Simplification and handholding," "Funding support and incentives," and "Industry-academia partnership and incubation." The Action Plan established the framework for government assistance, programs, and incentives intended to develop a thriving startup ecosystem in the nation.

- **Fund of Funds for Startups (FFS) Scheme:**

With a capital of Rs. 10,000 crores, the government launched FFS to cover the finance requirements of entrepreneurs. Small Industries Development Bank of India (SIDBI) is the operating agency for FFS, and DPIIT is the monitoring organization. Based on the success of the plan and the availability of money, a total corpus of Rs. 10,000 crore is planned to be provided during the 14th and 15th Finance Commission cycles. It has not only provided funding for businesses at the early-stage, seed-stage, and growth-stages, but it has also acted as a catalyst for domestic capital raising, reduced reliance on outside funding, and the establishment of new venture capital firms.

- **Credit Guarantee Scheme for Startups (CGSS):**

The Credit Guarantee Scheme for Startups was established by the government to provide credit guarantees for loans made to DPIIT-recognized startups by Scheduled Commercial Banks, Non-Banking Financial Companies (NBFCs), and Venture Debt Funds (VDFs) under Alternative Investment Funds registered with SEBI. The purpose of the CGSS is to provide credit guarantees up to a certain extent against loans made by Member Institutions (MIs) to support qualified borrowers, such as DPIIT-recognized startups.

- **Regulatory Reforms:**

Since 2016, the government has implemented more than 50 regulatory reforms to make conducting business easier, raise money more quickly, and lighten the regulatory load on the startup environment

- **Ease of Procurement:**

For all DPIIT-recognized startups, Central Ministries/Departments are directed to waive the requirements for prior turnover and prior experience in public procurement, provided that quality and technical requirements are met. Additionally, a section of the Government e-Marketplace (GeM) called Startup Runway has been created specifically for businesses to market their goods and services to the government.

- **Support for Intellectual Property Protection:**

Startups are eligible for expedited evaluation and rejection of their patent applications. The Start-ups Intellectual Property Protection (SIPP) programme was established by the government to make it easier for startups to submit applications for patents, designs, and trademarks through authorized facilitators at the proper IP offices while simply having to pay the required costs. Under this Scheme, facilitators oversee disseminating general advice on various IPRs as well as details on safeguarding and promoting IPRs in other nations.

- **Self-Certification under Labor and Environmental laws**

For a period of three to five years after their incorporation, startups are permitted to self-certify that they are in conformity with nine labour regulations and three environmental legislations.

- **Income Tax Exemption for 3 years:**

Startups that were incorporated on or after April 1, 2016, are eligible to qualify for an income tax exemption. In the first ten years following formation, the recognized startups that receive an Inter-Ministerial Board Certificate are exempt from income tax for three consecutive years.

- **International Market Access to Indian Startups**

Through a variety of interaction approaches, connecting the Indian startup ecosystem to the global startup ecosystems is one of the main goals of the Startup India project. This has been accomplished through collaborations between foreign governments, participation in international forums, and hosting of international events.

- **Faster Exit for Startups:**

startups are now able to shut down operations faster than other businesses—within 90 days as opposed to 180—thanks to the government's designation of them as "fast track firms.

- **Startup India Hub**

On June 19, 2017, the government unveiled Startup India Online Hub, a first-of-its-kind online platform for all participants in India's entrepreneurial ecosystem to find, interact, and collaborate with one another. Startups, investors, funds, mentors, academic institutions, incubators, accelerators, corporations, governmental bodies, and more are all hosted by the online hub.



- **Exemption for the Purpose Of Clause (VII)(b) of Sub-section (2) of Section 56 of the Act (2019)**  
Startups that have received DPIIT recognition are excluded from the rules of section 56(2)(viib) of the Income Tax Act.
- **Startup India Showcase:**  
startup India Showcase is an online platform for discovering the most promising companies in the nation. These startups are displayed as virtual profiles and were selected through a variety of programmes. The startups featured on the site have unmistakably distinguished themselves as the finest in their industries. These breakthroughs stretch across several cutting-edge industries, including fintech, entrepreneurship, social impact, health tech, and education tech, among others.
- **National Startup Advisory Council:**  
In January 2020, the government announced the formation of the council. The council will advise the government on the steps that should be taken to create a strong ecosystem for fostering innovation and startups in the nation in order to promote sustainable economic growth and create numerous job opportunities.
- **Startup India: The Way Ahead**  
On January 16, 2021, Startup India: The Way Ahead—a document commemorating five years of Startup India—was unveiled. It contains concrete plans for promoting the ease of doing business for startups, enhancing the role of technology in implementing various reforms, enhancing stakeholder capacities, and enabling a digital Aatmanirbhar Bharat.
- **Startup India Seed Fund Scheme (SISFS):**  
For entrepreneurs in the early stages of an enterprise's growth, easy access to cash is crucial. Startups with solid business concepts frequently find themselves in a make-or-break situation due to the funding needed at this point. The Scheme's goal is to give companies financial support for concept proofing, prototype creation, product testing, market-entry, and commercialization. Under the SISFS Scheme, funds of Rs. 945 crores have been approved for a 4-year period beginning in 2021–2022.
- **National Startup Awards (NSA):**  
National Startup Awards is a programme to honor and reward exceptional startups and ecosystem supporters who are creating scalable businesses with the potential to create wealth or jobs while also demonstrating measurable social impact. All the finalists receive mentoring help in a variety of areas, including Startup Champions on Doordarshan and Startup India Showcase, Investor Connect, Mentorship, Corporate Connect, and Govt. Connect, International Market Access, and Regulatory help.
- **States' Startup Ranking Framework (SRF):**  
This innovative programme aims to harness the power of competitive federalism and build a thriving startup ecosystem across the nation. The main goals of the ranking exercise are to make it easier for states to recognize, absorb, and replace effective practices, to highlight state policy interventions that support startup ecosystems, and to promote competition among states.
- **Startup Champions on Doordarshan:**  
An hour-long weekly programme on Doordarshan called Startup Champions tells the tales of award-winning and nationally renowned enterprises. It is broadcast on several Doordarshan network stations in both Hindi and English
- **Startup India Innovation Week:**

With the primary objective of bringing together the nation's leading startups, entrepreneurs, investors, incubators, funding entities, banks, policymakers, and other national/international stakeholders to celebrate entrepreneurship and promote innovation, the government organises Startup India Innovation Week around the National Startup Day, which falls on January 16

## Conclusion

Start-up India was established to give the nation's business people a very bright future. The measures that were put forth were strongly in favor of making start-ups successful. This paper made an effort to evaluate the opportunities and challenges the start-up experienced. We may infer from the research that the government's programme created a deep and enduring positive atmosphere in the nation for everyone, young and old, who wished to pursue their aspirations of founding their own prosperous start-ups.

There are frequently many prospects for Indian startups to expand their businesses. Even if they encounter problems and difficulties, they should endeavor to overcome these obstacles in an effective way. In order to spur innovation and create competition, new entrepreneurs might provide fresh ideas. Key areas of support for all types of entrepreneurs include financial literacy, technological understanding, digital literacy, and the development of an entrepreneurial attitude. India's startup sector holds great promise for generating jobs, money, and stimulating innovation. If efforts are made to promote growth and are tailored to the various demands of the segments, it can accelerate India's growth trajectory and lead to independence.

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