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Review Paper

A Study of Challenges Faced by Startups in India

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Abstract

This research paper aims to discuss the study of various 'grand challenges' which are faced by startups in India. This research paper is based on the literature review wherein secondary data is collected from various sources such as newspapers, journals, websites, and different publications. The paper aims to unite all the details regarding 'grand challenges' faced by startups in India in one place so that if any researcher wants to study the 'grand challenges' being faced by startups in India, all the relevant details are available in one place so that time is not wasted searching other sources.

Keywords: Startup, Business, Industry, Challenges, entrepreneurs.

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Introduction

Startup India has conducted startup challenges in collaboration with various Government and private organizations on different domains to encourage competitiveness and engage entrepreneurs in supporting Central/ national endeavours taken up by the Government. The initiative has further enhanced collaboration among the startup ecosystem builders in identifying and scaling up selective ideas among respective sectors. The startup grand challenges have also helped Government and private sector agencies to work with startups and embrace the spirit of

entrepreneurship and innovation. As in many parts of the world, in recent years, startups in India have drawn more attention. Their numbers are increasing, and they are now universally acknowledged as significant forces behind the job creation, development, and growth. Startups can serve as engines for socio-economic development by producing significant solutions and transformation due to innovation and scalable technology. Since the last couple of decades, the Indian startup ecosystem has been growing continuously. Although few firms were formed in the 2000s, the ecosystem was still in its infancy because there were few active investors and few support groups, such as incubators and accelerators. Some successful exits occurred in the late 2000s but in the last ten years, the number of startups increased fast as more support became available in all dimensions. Bangalore has become India's primary startup hub, but momentous activity is also taking place in Mumbai and the National Capital Region (NCR), as well as some smaller cities. The Indian startup environment has undergone a remarkable evolution over the past two decades. The number of actors has increased, and they are now supporting entrepreneurs in many ways. As a result, the ecosystem has substantially expanded and is currently growing. Startups do not live in a vacuum; they are part of a larger business ecosystem. The development drivers of the Indian startup ecosystem must therefore be understood in light of several variables, including historical economic changes, recent market trends, the impact of technical advancement, and shifting societal attitudes.

Since 2017, there have been around 11 grand challenges organized by DPIIT in collaboration with other Ministries and public organizations offering lucrative incentives to the winners. (https://www.startupindia.gov.in, 2022**)**

Table 1. Startup India in Numbers (Jan 2016-Dec 2020)

1.	4.7	Lac jobs reported by 39,000+ startups
2.	41,317	Startups recognized by DPIIT
3.	Rs 4,509	Crore of investments made in 384 startups
4.	590+	Districts with at least one recognized startup
5.	44%	of the recognized startups have at least one-woman director
6.	30	States and UTs have a dedicated startup policy

7.	319	Eligible startups have been granted exemption under IT Act.
8.	53,226	Orders received by startups with a value of over Rs 2,279 Crores
9.	319	Regulatory reforms have been undertaken by States and UTs
10.	39	Regulatory reforms enabled with the help of various Ministries.
11.	2.8	Lac users enrolled in the Startup India L&D program

Source: https://www.startupindia.gov.in

Review of Literature

Suresh, B., & Sridevi, K. (2019): The paper "A study on issues and challenges of startups in India", accentuates the common challenges faced by Startups for various reasons, from financing, revenue generation, availability of the team, infrastructure to the market availability at their nascent stages. It highlights Govt. initiatives and IT-related services available, offering opportunities to Startups.

Hechavarria et al. (2016) in this paper investigate the influence of startup capital on the time taken for a new venture to begin operations or quit the startup process using the pecking order and agency theory. The analysis is based on the response received from a set of 830 nascent entrepreneurs using a 60-min telephonic interview followed by a 12-page mail questionnaire.The findings reveal that external equity plays an important role in the success of a new firm andits growth over time along with the founder's share of ownership.

Thibault Adnot (2012) in the study talks about the use of Project Management in startups. According to this study, three major points are considered in Project Management, the benefits to Small & medium-scale enterprises and its application for startups. The author also studied the cases of startup's representatives. The SCRUM method has also been discussed for start-ups' strategy formulation.

Dash, M., & Kaur, K (2012) have stated in their research work that most of the entrepreneurs in Odisha choose to start their own businesses with the motive of being independent and most of them preferred their own funds since they faced the hurdle of getting financial assistance.

Conti et al. (2013) probed the role of patents as signals applied to reduce information asymmetries in entrepreneurial finance. The study was conducted in Israel in which

startups were involved during the year 1994-2011. The study gave a theoretical model that includes conditions for a unique separating equilibrium under which startup founders file for patents to signal invention; quality to investors, and approximating value.

Sharifi Omid, and Hossein B K (2015) in their paper discuss the small and medium-scale enterprises' asset guarantee pattern where entrepreneur fails to pay the fees of various procedural aspects such as guarantee fee, valuation fee, and asset registration fee which is on the higher side. The entrepreneurs try to fulfill the mortgage requirements which again consists of several difficult tedious processes. Moreover, due to the high risk, high cost, and limited profits, small and medium enterprises find it difficult to apply for a loan from the bank. The highlights of this study are the main financing resources of startups. The author observes the difficulties of obtaining finance and has suggestions for entrepreneurs to do conscientious homework before pitching for their startup.

Weiblan and Chesbrough (2015) have inspected large corporations from the tech industry and how they tried to get into entrepreneurial innovation from startups. The researchers have used several examples to obtain a set of four models that were used to engage with startups and to establish their characteristic challenges and rationales. The study also presented a classification of corporate mechanisms to engage with startups that balance speed and agility against control and strategic direction to design the ways a company can narrow the gap between the startup world and itself.

Singh and Wasdani (2016) recognized various challenges faced by MSMEs while sourcing finance during various stages of their life cycle. The data was collected by Researchers using structured questionnaires from 85 MSME units in the city of Bangalore. The study discloses that different stages of an enterprise's life cycle i.e. startup, survival, growth, and sustenance influence the source of finance used by enterprises and based on the different stages of the life cycle, the challenges faced also change accordingly. It is also disclosed that processing time for loan applications, high service fees, high rates of interest, collateral or a guarantee, difficulty in completing required documentation and lack of knowledge about available schemes are some of the challenges in front of MSMEs units. These challenges are more serious when an MSME's unit falls into its startup and survival stage rather than its growth and sustenance stage.

Shukla, T., & Chauhan, G. S. (2018) took up an exploratory study on women's entrepreneurship and inspected the hindrance faced by Women influencing the growth of Urban Startups and the impact of extrinsic and intrinsic factors on Women's entrepreneurship is exhausting and mutually exclusionary as a group.

Objectives of the Study

1. To study the startup ecosystem in India.
2. To analyse the various literature related to startups in India.
3. To examine the challenges of startups.

Methodology

The research methodology adopted is a descriptive study with the usage of secondary data. The data was collected from various websites, publications, newspapers, and journals.

Discussion

There are 11 Grand Challenges Conducted through 10 Partner Ministries/Departments as per the five-year achievement report of Govt. of India. (https://www.startupindia.gov.in, 2022)

1) Ministry of Agriculture

2) National Security Guard

3) Ministry of Textiles

4) Department of Animal Husbandry and Dairying

5) Central Reserve Police Force

6) Department for Promotion of Industry and Internal Trade (DPIIT)

7) Airport Authority of India

8) National Health Authority

9) Ministry of New and Renewable Energy

10) Department of Drinking Water and Sanitation.

1. Agriculture Grand Challenge

The Ministry of Agriculture launched the Agriculture Grand Challenge in December 2017 in partnership with Startup India wherein 12 pre-identified problem statements were noted for seeking solutions from the startups. The challenge received 1,066 applications from across the country and after conducting five mentorship workshops with over 400 recognized Agritech startups, multiple screenings, and interviews, 20 innovative ideas were finalized for up-scaling. The finalized solutions were handpicked by senior scientists and Commissioners from the Ministry of Agriculture, supported by the Startup India team.

Startups in the validation and ideation stages were extended three-month incubation support under leading Agritech incubators, along with real-time testing of Proof of Concept (PoC) and handholding support. Under the Ministry of Agriculture along with real-time access to market insights and support from domain experts, a three-month market access program was offered for startups that matured to early traction & scaling-up stages.

2. Ayushman Bharat PMJAY Startup Grand Challenge

Startup India launched Ayushman Bharat PMJAY Startup Grand Challenge in collaboration with the National Health Authority to scout for cutting-edge solutions for supporting Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (ABPMJAY). The challenge was launched on 1st October 2019 by the Hon'ble Prime Minister of India, Shri Narendra Modi, and applications were invited from startups in 7 areas. Over 300 applications were submitted in response to the call for applications, which was posted on the Startup India platform. After preliminary checks and evaluation of applications by an interim jury of experts in the healthcare business and public health sector, 49 startups had been shortlisted for the semi-final. From these startups, 22 startups were further shortlisted for the finale on 16 and 17th September and the awards ceremony on 25th September 2020. 7 winners were announced.

3. Ease of Doing Business Grand Challenge

The Ease of Doing Business Ranking is an annual assessment conducted by the World Bank that measures aspects of regulations affecting 11 areas of the life of a business, analyzing 190 countries against each other on these parameters.

DPIIT initiated the EoDB Grand Challenge on the 19th of November 2018 through Startup India Hub to invite innovative ideas from individuals, other enterprises, or startups to implement artificial intelligence (AI), For the re-engineering of associated government operations, cutting-edge technologies including blockchain, the internet of things (IoT), big data analytics, and others.

4. MNRE Startup Grand Challenge

The Ministry of New and Renewable Energy (MNRE) launched a unique opportunity for startups and innovators to solve some key challenges being faced in the renewable energy sector in India. Initiated in August 2019, the MNRE identified eight key problem statements embracing innovative use of renewable energy for enhancing mobility, quality of life, and energy storages, offering energy solutions for regions with difficult terrain, etc. 412 applications were received in response to the call for entries, wherein top three startups were to be provided funding support totaling up to Rs 22 lac. The results of the challenge have not been announced so far.

5. Accelerate With NSG

The National Security Guard (NSG) along with Startup India sought solutions to help the counter-terrorism unit of NSG to take "countermeasures against a rogue autonomous drone including "swarm of drones". The applications were invited "to help solve the menace of terrorism" from startups belonging to sectors viz aerospace, defence, robotics, and security solutions till 30th of April, 2020. A cash incentive of Rs 5 lac, Rs 3 lac, and Rs 2 lac each would be given to the three winning startups. Helping curb the terrorism menace with the support of startups reflects the Government's earlier emphasis on the significance of the country's startups along with the MSME base to help India achieve indigenization and self-reliance in the defence sector.

6. Startup India Single-Use Plastic International Grand Challenge

DPIIT hosted the Startup India Single-Use Plastic International Grand Challenge on the Startup India Portal from 2 to 22 October 2019 inviting entries for three problem statements namely, Discard of Single Use Plastic, Production of Single-Use Plastic, and Consumption of Single Use Plastic, cumulatively receiving 68 applications. Of the top 15 startups (5 per problem statement selected after the second round of evaluation), the top 6 startups were awarded the first prize of Rs 3 lac and second prize of Rs 2 lac each based on their final scores under the irrespective problem statements. Six startups were incubated free of cost at the Amity Incubator. A total impact of Rs 30 Lac was made through the challenge to encourage sustainable startups.

7. Textile Challenge

The first version of the task was aimed at locating substitutes for plastics - each in the multi-use category. All startups and individuals across the apparel &textile field were called for participation which have a minimum feasible product or a PoC for the trouble areas. A total of 6 winners would have 12 lacs worth of prize money i.e. 3 lac, 2 lac, and 1 lac for 1st, 2nd, and 3rd winners across each problem statement. The challenge was launched on 14th January 2020 and applications closed on 29th February 2020.

3 Startups were declared as winners and an award ceremony was held where the Honorable Minister of Textiles Smt. Smriti Zubin Irani praised the endeavours of startups and the ministry. A cash grant of 8 Lakhs was given to these 3 startups.

8. Animal Husbandry Startup Grand Challenge

The Department of Animal Husbandry and Dairying, in partnership with Startup India, launched the 'Animal Husbandry Startup Grand Challenge', to search for innovative and commercially viable solutions to address the troubles confronted via way of means of the animal husbandry and dairy sector. The challenge was launched by Hon'ble Prime Minister, Shri Narendra Modi, on 11 September 2019 at a National Animal Disease Control Program in Mathura.

9. Swachh Bharat Grand Challenge

Startup India labored with the Ministry of Water and Sanitation to comprehend startups spearheading novel improvements inside the discipline of waste management, water management, air management, and sanitation.

On the Startup India website, the Challenge was hosted from the 25th of October to the 10th of November 2018, inviting startups to apply for the program.165 applications were received from 70 districts in 22 States, offering unique solutions from startups that had also filed for intellectual property rights.

Two startups under each sector of water management, air management, waste management, and sanitation were awarded a cash grant of Rs 2 lac and Rs 1 lac as 1st and 2nd prizes respectively. The winners were also felicitated by the Secretary, DPIIT with a certificate of award.

10. Innovation Challenge to Develop Portable Device for Water Quality Testing

DPIIT, in partnership with the National Jal Jeevan Mission (NJJM), Department of Drinking Water & Sanitation, launched an Innovation Challenge to initiate 'portable devices for testing drinking water quality'.

Drinking water delivered in rural regions is from groundwater (80%) and floor water (20%) sources. However, because of depleting groundwater levels, specifically in arid and semi-arid regions, the usage of floor water is on the rise. For each groundwater and floor water primarily based on rural consuming water systems, it's miles essential to degree applicable area-unique contaminations to make sure get right of entry to potable water.

The Uniform Drinking Water Quality Protocol, 2019 has inferred some important parameters to be surveilled to assure the potability of drinking water as per BIS IS 10500:2012 (Second Version) and subsequent amendments.

People receiving piped water delivery to their houses now no longer have any measures to check the potability of water coming from their faucets. This ends in a state of affairs wherein, pretty often, human beings are reluctant to devour faucet water directly. People in city regions put in family water remedy units incurring the extra expenditure. To facilitate and empower human beings to check the consumption of water at their houses and guarantee the potability of water, there

could be a want for `transportable water great trying out devices` that may take a look at the great of water for essential parameters.

11. COVID-19 Interministerial Taskforce and Innovation: Challenge to Combat COVID-19

As the world was looking at a serious healthcare challenge caused by the pandemic Covid-19, DPIIT with Startup India scouted for innovative technologies and solutions for precautionary as well as treatment-related interventions. A total of 776 applications were received across 10 problem statements. The Challenge was open to all the Startups, Companies, Innovators etc. whose innovation could plug the gap between the demand and supply of essential medical items to fight the Covid-19 outbreak. An inter-ministerial task force including members from Atal Innovation Mission-NITI Aayog, the Department of Science & Technology, and the Department of Biotechnology carried out the evaluation. (https://www.startupindia.gov.in/)

Conclusion

Startup India builds a strong ecosystem for nurturing innovation and startups in the country, which will drive economic growth and generate large-scale employment opportunities. Through this initiative, the government is oriented to enable startups to grow through design and innovation. Although on the basis of the above discussion, it can be said there are various challenges faced by various Ministries and departments of the Government of India and a long way to go ahead.

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