

Challenges Faced by Start-Ups in India

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ABSTRACT

We are aware that there are numerous start-ups presently putting forth numerous ideas. However, they will encounter numerous difficulties when starting their business. Numerous obstacles prevent Indian start-ups from growing and succeeding. The biggest obstacles include a lack of sufficient funding, legal restrictions, infrastructure problems, a talent shortage, fierce competition, the protection of intellectual property, and cultural and linguistic barriers. Start-ups may find it challenging to establish a presence in the market, acquire traction, and expand their business as a result of these obstacles. Start-ups must be creative, adaptable, and resilient in their approach to surmount these obstacles, and they must seek assistance from the government, investors, and industry professionals. A supportive ecosystem that promotes innovation and development is necessary to address these issues. Start-ups can improve their chances of success and lay a solid basis for growth and innovation by comprehending these issues and devising solutions. The most crucial aspect determining whether Indian entrepreneurs succeed or fail is innovation.

Keywords: Start-ups, Challenges, obstacles

1 Introduction

There are dozens of new businesses opening up in India right now, in industries like technology, e-commerce, healthcare, and finance. Although the number of start-ups is rising, these new firms still face many obstacles that could prevent them from being successful. In this environment, it's critical to comprehend the difficulties Indian start-ups encounter and solutions to those difficulties. Start-ups in India must cross a complicated terrain to make a name for themselves in the market, from a lack of enough capital to regulatory obstacles, infrastructure problems, a talent scarcity, competition, intellectual property protection, and cultural and linguistic challenges. An outline of the difficulties faced by start-ups in India and the world is intended in this presentation.

A start-up business as an organization which is:

- a) Incorporated for three years or less
- b) At a funding stage of Series B or less (B Series means second round of funding)
- c) An entrepreneurial venture/a partnership or a temporary business organization
- d) Engages in development, production or distribution of new products/services or processes
- e) Revenue of up to INR 25 Cr
- f) Not formed through splitting or restructuring
- g) Employing 50 people or less

2 Procedure of Starting Startups in India

The following are numerous phases and procedures involved in starting a business in India: Validating your business idea is the first stage in the process. To determine whether your product or service is in demand in the Indian market, conduct market research.

- **Business plan:** After your business idea has been approved, write a thorough business plan. This will



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include information about your startup's business plan, marketing approach, financial estimates, and other relevant factors.

- **Company registration:** In accordance with the 2013 companies act, register your business with the registrar of companies (ROC). You have a variety of business structure options to select from, including the private limited company, limited liability partnership (LLP), partnership firm, and sole proprietorship.
- **Getting business licenses:** Depending on the type of business you have, you might need to apply for licenses and permits such as an FSSAI license, a shop and establishment license, a GST registration, etc.
- **Funding:** After registering your firm and obtaining the required licenses, you might need to raise money for your company. Options like bootstrapping, crowdfunding, venture capital, and angel investors are just a few to consider.
- **Hiring staff:** You will need to hire staff as your business grows. Make sure you follow all Labour policies and guidelines when hiring employees.
- **Building a brand:** Create a distinctive brand identity using powerful branding and marketing techniques. Utilize digital advertising and social media marketing to establish a solid online presence.

3 Conditions For Startups

- a) It must be a registered or incorporated entity.
 - Private limited company as defined by the 2013 Companies Act; 2013; or
 - Indian partnership act of 1932-recognized partnership firm in accordance with the limited liability partnership act of 2008
- b) The date of incorporation or registration cannot be more than five years old.
- c) Any prior financial year's annual turnover (as defined by the companies act, 2011) cannot have exceeded Rs.25 crores.
- d) Startups must be pursuing new product development, implementation, or commercialization, Technology or intellectual property-driven goods, prices, or services.
- e) The company's mission is to create and market
 - New goods, services, or process
 - A significantly enhanced version of an already existing good, service, or method that will increase value for clients or a workflow.
- f) The startup can't just do one thing.
 - Developing goods, services, or procedures that have no chance of being commercialized.
 - Undifferentiated goods, services, or methods

4 Challenges Faced by Start-Ups in India

Start-ups in India encounter a number of difficulties including:

- **Lack of funding:** although start-up funding in India has increased recently, start-ups still have a difficult time getting money, especially those that are just getting started. Since many investors are risk-averse and favor investing in well-established businesses, it is challenging for startups to raise money. With more start-ups entering the market each year, India's startup environment is growing more and more competitive. As a result, startups must put up more effort to set themselves apart from the competition and stand out in the crowded market.
- **Talent acquisition:** for start-ups in India, locating and keeping talent is a significant hurdle. Due to their

lack of resources and competitive environment, many start-ups find it difficult to acquire and keep top people.

- Regulatory compliance: it can be difficult for start-ups to comply with legal and governmental standards. The legal and regulatory environment in India can be complicated, so start-ups must make sure they abide by all relevant rules and laws.
- Infrastructure: for start-ups in India, a lack of proper physical and digital infrastructure can be a big barrier. It can be challenging for start-ups to function successfully and efficiently when there are issues with transportation, electricity, and internet connectivity.
- Market entry: for start-ups, entering the diverse and complex Indian market can be difficult. Numerous startups struggle to pinpoint the ideal market niche and successfully advertise their goods or services. Protecting intellectual property is essential for startups, but the procedure may be drawn out, difficult, and expensive.
- Overall, despite the fact that India's start-up ecosystem is expanding, the nation's start-ups still have a number of difficulties to overcome.

5 Government Initiatives

The Indian government is committed to encouraging entrepreneurship in the beginning stage and has taken a number of steps to guarantee adequate support. In this regard, it is pertinent to bring up the "make in India" campaign, which was launched on September 14 to entice foreign investment and get domestic firms ready to enter the manufacturing industry. To maintain public trust in the stamps, the government expanded Foreign Direct Investment (FDI) in most sectors and tightened Intellectual Property Rights (IPR) protection. The Government of India (GoI) launched a new initiative named "stand-up India" in 2015 with the goal of boosting entrepreneurship among women and aiding businesses with bank finance in order to make the nation the top destination for start-ups. Another admirable and ambitious project is digital India, which was launched in 2015 and aims to ensure that all citizens can access government services online. By improving rural areas' digital infrastructure, it creates enormous business opportunities for start-ups.

Numerous governmental and quasi-governmental programs exist to support startups.

- a) Start-up India: This plan offers three-year taxes and compliance checks in an effort to reduce red tape and government rules.
- b) Mudra Yojana: Through this program, banks provide loans to entrepreneurs so they can establish, develop, and stabilize their businesses.
- c) The government has allocated Rs.1,000 c to the SETU (self-employment and talent utilization) fund in order to foster opportunities for new employment, particularly in technology-driven fields.
- d) e-business portal: To facilitate quicker clearances and increase the convenience of conducting business in India, the government established a platform that combines 14 regulatory permissions and licenses at a single source.

6 Need For Study

Studying the challenges faced by start-ups in India, policymakers, investors, and entrepreneurs can gain a better understanding of the issues and develop strategies to overcome them. This can help create a more favorable environment for start-ups, leading to greater innovation, job creation, and economic growth. Start-ups contribute to job creation, innovation, and technological advancements.

7 Conclusion

In conclusion, there are many obstacles that Indian start-ups must overcome in order to develop and

succeed. These difficulties can be linked to a number of things, such as legal restrictions, infrastructure problems, a talent shortage, competition, the protection of intellectual property, and cultural and linguistic obstacles. Nevertheless, despite these difficulties, India's start-up ecosystem keeps expanding and changing thanks to its people's inventiveness and spirit of entrepreneurship. It is essential to create a supporting environment that includes finance availability, streamlined regulatory procedures, cutting-edge infrastructure, qualified personnel, and efficient intellectual property protection in order to overcome the difficulties faced by start-ups in India.

By addressing these problems and fostering an environment that is welcoming to start-ups, India can continue to foster creativity, encourage economic growth, and establish itself as a significant Centre for innovation.

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