

HURDLES AND SOLUTION FOR STARTUPS IN INDIA

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ABSTRACT

India is the land of diversity. New startups are the boon of the country. They are able to provide employment, generate income and profits, improve standard of living, and enhance gross domestic products. An Indian government is too much conscious about their development. The condition of new startup is just like a small kid which required something extra care. Present paper focused on the problems faced by the new startups in India and also tells the solution of early recovery in case of downfall in business.

Keywords: India, Startups, Employment, Innovation

INTRODUCTION

For starting up the new business, the ranking of India is third. According to the report of IBM Institute, 80% to 90% new startup businesses fail in India within the starting period of establishment. More than 27,000 startup units registered themselves till 2020. These startups were able to provide employment opportunities to more than 1 lakh 15 thousand people. Is it sufficient to provide employment to that nation who produces more than 12 million graduates every year? Various reasons found to be responsible to

earlier failure of start up businesses in India. Most of them are related to leadership quality and creativity. Wrong selection of business model, lack of planning skills, wrong selection of initial ideas, weak customer relationship incapability in tacking technological changes, lack of focus andvisions are some other important and critical reasons for failure of businesses. According to the opinion of venture capitalists, main factor of downfall of startup businesses is lack of especial business model. Most of the businessmen copied the business model without refining them. Main advice of Discovery Driven Disruption is that any start up business should not choose risky and costly plan for unknown project and should follow up the project step wise. Assumptions should be identified and tested on the basis of time and cost effectiveness. It will reduce the chances of business failute and any businessmen can take U-turn at the initial stage of failure. By doing so, every new start up will learn a new experience. Unknown business model and ideas can never provide specific and justifiable results. Objectives should be decided after measuring time and cost efforts in attaining them. As per the changing circumstances and external environment, businessmen should be ready to redirect the activities. On October 16, 2016Honableprime Minister Mr. Narendra Modi announced the 'Startup India' theme. The main objective behind this theme is to inspire the new entrepreneurs to set up more and more units in India so that most of the people can get employment. This concept encourages scheduled communities and tribes and women to become successful entrepreneurs. India has 4200 registered startups. All over the country, new incubators has established on the basis of public private partnership made by government of India. According to the report of NitiAayog, 17 established incubation centers have been chosen for scale up support. Operational activities of start up India hub is working form april 1,2016 and are providing answers relating to finance, tax benefits, incubators. More than 25000 questions are answered through telephonic conversation, emails and social platforms by startup India hub. Small Industries Development Bank of India granted fund of Rs. 10,000 crore to SEBI registered startups. Nasscom is trying to remove tax related and fund related hurdles and reduce the long term capital gain tax rate to 10% for domestic and no resident investors. If any business is not performing well than that particular business can quit easily. As per the provisions of IBC 2016, a business can stop working within 90 days of

filling application. Growth rate of startups increased due to GST bill. Flexible provisions and norms are helping the new startups for future growth.

REVIEW OF LITERATURE

Performance of startup is affected by innovative skills followed up by businessman because this skill helps the business from failures. Investment, sizes of business, educational level of employees, incubators impact the innovation. Performance of the business is directly affected by the patents and new products. New and innovative products lead to better performance. Businessman should invest money adequately to gain innovative benefits from market. If any industry is following innovative ideas, than it will surely helpful in better performance and will helpful in getting competitive advantages. Businesses whose promoters are highly qualified, experienced and innovative are able to improve their performance in future (Aminova & Marchi 2021).

While starting up the new business or venture, businessmen and capital investor both faces the constraints. Both of them want financial rewards and they have their own perception to get financial reward. Strong vision of entrepreneurs is based upon the new product as well as fascination. By making superior products, business issues can be sought out very smartly, venture capital investors always faces innovative and new ideas and they want to solve the business issues as soon as possible. Entrepreneurs are needed to make effective planning to attain the objectives and to get investment from venture capitalist. The present study found six important factors i.e. product to be sold, market time, team work, risk factors and negotiation that are important for entrepreneurs and as well as venture capital investors (Rea 1989).

Strategic context of startups is dependent upon the availability and utilization of resources. Selection of business idea connects the employers, employees, management and investors. Standard resources required for startup the business are very limited. Business ideas give answer properly to social and economic issues but if business is facing the problem of resources than this business idea will reduce its value. Success of startup is based on business idea, quality of service, fulfillment of market requirement, entry in

the market and sale of product. For the success of business and effective utilization of resources, cooperation within firm and industry and positive attitude of investors and promoters are essential (Sláviket.at., 2022).

Present paper focused on impact of digitalization on entrepreneurship or on new startups. Promoters open their business and move to the digitalization for achieving long term objectives. Promoters who are experienced and having professional skills use digitalization to seek new opportunities for further growth. Government should make economic development strategies based on innovation and digitalization, support the companies who are able to manage their digital ability in better way, encourage the founders or experts to invent new entrepreneurial training opportunities (Zaheer et.al., 2022).

Present study showed the importance of incubation hubs in the startup development because they provide positive push for further growth, incubation hubs are the base for establishing strong startups. Incubation hub and performance of startups both are linked with each other. Incubation hubs are helpful in making startups effective and competent. New startups who found themselves discourage in managing their business can take the help of incubation centers. Incubation centers empower the startups and give full support for new innovation and exposure (Karambakuwa & Bayat 2022).

OBJECTIVES OF THE STUDY

1. To understand the reasons responsible for the failure of startups in India
2. To know the solution steps for success of startups in India.

RESEARCH METHODOLOGY

The data was collected from secondary source of information. Online newsletter, websites were taking into consideration of collecting secondary data.

REASONS FOR FAILURE OF STARTUPS

No Innovation skills

The opinion of more than 77% venture capitalists stated that lack of innovation and unproved business model are the main causes of failure of startups in India. 91% startups fail within the first five years due to shortage

of innovation skills. In India, there is a lack of Meta level startups like Google and social media. Indian startups are only copying the global startups model instead of making their own model. Chaipoint, OLA, Swiggy who made their place in top 50 world innovative startup companies. Innovation helps the business in the different ways. Businesses are able to face the competition, increase their productivity, capable in handling the business problems quickly and make the special place in the market. Without research work and without analyzing Indian market, startups should not be started because it requires professional skills and creative should think about the long term effect of that plan of business. There should be adequate resources to set up new business with innovation.

Financial Scarcity

The main reason of failure of Tazzo Company who was bike rental startup was unfit and failed product market that soaked the entire funding. Lack of unique business model was the reason of shutdown of that company. For converting and startup ideas into reality, finance is required. So we require profitable projects and proper sources of funds to make new businesses profitable. Insufficient and inadequate funds are the critical reasons for business failure. Incapability in arranging and managing follow on funds are the main cause of seed funding based projects. Businessman should have revenue based business model and should focus on products and services as well as revenue and profits. Finance should be utilized consciously.

Lack of concentration

Focus or concentration was the main factor behind the success story of bill Gates and Warren Buffet. Food delivery startup Grub hub concentrates only on delivery of foods, catering services well not so important for that business. They handled their business technically and professionally. Every businessman should take the feedback of their services whether it is good or bad. One should focus on one thing at one time.

Product Market Fit

Majority of startup fail because their products were not fit according to the customers' requirements. If products not able to give satisfaction and value to customers and there is not customer of a particular product than that particular product will exit from the market soon. If product is not based upon the innovative ideas and if company focuses on that product whose

demand is not in the market or trying to expand the market for that obsolete product than it will lead to shut down their business. Knowledge about the understanding of customer and judgment about the feelings of customer is essential. Company should focus on choosing new customers instead of generating costly marketing plans. Company should make good customer relationship.

Leadership Gap

Workings of startups are based upon the vision of promoters and members of core teams. Company should be able to manage its brand itself and the team in a good way rather than idea. Lack of leadership quality and traits and lack of vision are the main cause of business failure. Leadership qualities are inborn and can be acquired. So lack of leadership quality is the main reason of failure of business. Manager should delegate the work to subordinate in case of lacking of leadership quality in him. Mentor will help to develop leadership quality and trying to learn the traits of leadership.

Lack of Agility

Business is full of difficulties and changes and is functioning on work culture. Agility is required to gain competitive advantages for startups. Hindustan Uniliver Limited decided to make partnership with new startups to take the advantages of agility in 2015. HUL took the advantages of agility and adaptive mentality after shaking hand with startups. By continuous learning, research and development, readiness to change the ideas according to circumstances are required for startups.

Failure of Business Model

The startup who thinks that good product, attractive websites, more expenditure on advertising budget are sufficient for attracting customers and for performing business are wrong because it is not easy to attract and retain the customers without unique business model.

Lack of Talent and Competency

Most of the startups fail their business at initial stage due to the lack of talent and competency. This shortcoming can be removed easily. If startups show hasting behavior while recruiting the manpower it will waste the time, efforts and money. Startup will apply their time to replace wrong appointed person.

Startups having low budget or lack of finance cannot hire experienced employees in their business. So selection of manpower should be done very consciously.

Ignorance of customers

Founders of startups perform the five functions of management names PQSDC. Customer is the king of the market. Some startup doesnot pay attention to their customers. They realize their value after losing them and results as shut down business. Startups who donot work on customer centric approach find themselves in difficult situation while taking decision, their concentration goes downward and lose their market position slowly. Customer's queries and complaints should be taken on priority basis and should take feedback timely.

STEPS FOR SUCCESS OF STARTUPS

Structure the challenges

Every entrepreneur should structure the development challenges at initial stage and draft a growth framework for the business. Business introduce new initiative in the business will give better results. Guidelines will clear the path of the employees and employers vision about the availed opportunities.

Proper allocation of Resources

Every entrepreneur should be clear about the availability and proper usage of resources and should be able to understand how the traditional allocation of resources can be changed as per requirement. He/she should be deeply studied about various growth opportunities. What will be the estimated profits and cash flow activities? What will be the economy of scale for a business? Who business can minimize its cost and how business can avail the benefits of high level opportunities? Businessman should work on short term projects having continuous cash flow and low cost.

Management of strategic Projects

Every business should be work on specific business model. A particular unit of business is a base to earn income/ profits which is the price of the product paid by customer. Sometimes, a unit of business needs to be change because it does not provide satisfactory results as per expectation.

Focus on Realistic Plan

Plans should be realistic. Businessman should make reverse income and financial statements. Decisions taken by businessman should be tied up with each other because they will help in conducting future business. By holding better command on decision future investment can be minimized.

Assumption for performing business

Assumption for performing business should be identified, documented and tested very clearly. Checklist should be developed for business operation and assumptions. Businessman should make connection between operational activities and assumptions. Projects should be redirected according to requirement.

CONCLUSION

Startups were able to provide employment opportunities to more than 1 lakh 15 thousand people. Various reasons found to be responsible to earlier failure of start up businesses in India. Most of them are related to leadership quality and creativity. Wrong selection of business model, lack of planning skills, wrong selection of initial ideas, weak customer relationship incapability in tacking technological changes, lack of focus and visions are some other important and critical reasons for failure of businesses. Structure the challenges, Assumption for performing business, Focus on Realistic Plan, Management of strategic Projects, Proper allocation of Resources are the solution for future development of startups. As per the changing circumstances and external environment, businessmen should be ready to redirect the activities.

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