A Study on Challenges Faced by Start-Ups in India

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Abstract:- This paper revolves around the concept of start-ups in Bangalore. Start-ups are mostly formed based on creative and innovative ideas and grow to get success. Startup companies are newly born companies which struggle for existence due to some challenges. The basic purpose of this paper is to put some light on the challenges faced by those start-ups and challenges are like building team, lack of hiring, lack of customer awareness, less resource availability etc. An attempt is made to review the literature based on Secondary data collected from various websites, journals, newspaper articles etc. and the challenges faced by the start-ups and proposed some suggestions and strategies to cope up those challenges. This study is conducted among 50 start-ups which are related to information technology located in Bangalore electronic document is a "live" template and already defines the components of your paper [title, text, heads, etc.] in its style sheet.

Keywords:- Start-ups, challenges and strategies.

I. INTRODUCTION

India is a developing country. It is placed number 2 in the population and continues to grow and also 7th largest country by area. The drastic growth in the population leads to lack of employment. To provide employment to masses India took a golden step to promote entrepreneurship in the country i.e. nothing but people who have innovative idea to start a new business provided a very good platform. India launched start up program by shri Narendra Modi, prime minister of India on 15th August 2015 to bring awareness about the start-ups in the minds of people.

Everyone has a dream to start a company. But in today's environment/world competition is more to get resources like funds, manpower etc., Because of this, many graduates prefer to join in established entity who are attracting them with six digits salary. But some people are taking it as challenge and becoming entrepreneurs. India is encouraging the people who have innovative ideas to start a new business i.e., STRATUP.

Start-ups are one of the major driven of job opportunities and economic growth like creating jobs, and increase per capita income and it creates positive impact on the economy.

Today, technology entrepreneurship is a global phenomenon with startup ecosystem emerging world over. Start-ups are growing at the rate of 5X compared to 15 years ago, as per the economic survey 2015-2016.

II. REVIEW OF LITERATURE

As varadan mentioned in the article "problems faced by start-ups in India and solutions", A successful startup not only needs an idea and passion but also a lot of leadership skills, understand the market need, and be dynamic to face various challenges.

According to the varnana choudary, the biggest roadblocks faced by start-ups in India are lack of mentorship, lack of good branding strategy, infrastructure deficit, struggle to reinvest constantly, resource to continue long term and getting the right talent at the right time is the biggest challenge faced by start-ups in India.

According to the article "challenges and opportunities for Indian start-ups" which is published in financial express on Jan 27, 2017 The government of India is leaving no stone unturned to provide start-ups with the best of opportunities to grow and shine in the market.

Prof.Archana Surywanshi (2013) In The Article "HR Challenges In Startup" states that today's managers are having many challenges in this competitive world due to globalization, privatization and legal and also forecast to recruit the right candidate at right time and right place. And they have to adopt the change in their work environment and culture of the organization and should maintain the low attrition, focus on organizational cost pressures, economic and job changes, talent management and development, technology expansion etc.

Ashish Mittal (2014) , according to him the challenges for the start ups are cultures, mentoring, policies, hiring, finding and the opportunities are demographic divided, large population, high mobile penetration.

B.V.Naidu (2017), "challenges and achievements, how the Indian start up ecosystem fared in 2017" the pros and cons are huge growth of incubators and accelerators, technology as a boon, increase government support, employee attrition, impact of GST on startup and etc.

III. RESEARCH METHODOLOGY

This study is mainly focused on start-ups in India. The objective of this study is to understand how the start-ups enter into India, analysis of start-up lifecycle and the hurdles faced by start-up in India. The study was done based on secondary data which has collected through internet and related articles in newspapers.

Startup Lifecycle Stages:
The moment you make the decision to start a business, you're in the "business lifecycle." This will have 6 stages and

these stages see your journey from idea to startup, and if successful, through to the growth and maturity phases.

A. *Problem Identification*

B. *Product Ideation*

C. *Customer Feedback*

D. *Growth*

E. *Maturity*

A. *Problem Identification:*

Before starting any business they need to do market analysis and identify the problem or need which the customer is facing. Start-ups are focused on validating whether they are solving a meaningful problem or not. At this point, they ask themselves two questions: "What problem am I focused to solve?" and "Does the proposed solution by us can solve it effectively?" If you have a clear answer to the first question and a confident "Yes" for the second, then you've got problem/solution fit and a hypothesis, and it's time to start pressure testing your idea.

B. *Product Ideation:*

The purpose of this stage is get the ideas about the product which exactly fit for the problem which is the one identified in the first stage. The idea may be generated from various sources like from your personal experience, friends, colleagues etc. At this stage build a product with existing modules to cater a solution to the identified problem.

C. *Customer Feedback:*

Once you get the working solution and you have to put it into action to get the physical product. After getting the tangible product, approach the target customers and explain how the product is giving optimum solution to their problems and collect their response towards the product.

D. *Growth:*

In this stage, your business should now be generating a consistent source of income and regularly obtaining new customers. The company start to improve as recurring revenues help to cover ongoing expenses and you should be looking forward to see your profits improve slowly and steadily. The biggest challenge for entrepreneurs in this stage is managing time for new demands requiring your attention– managing increasing levels of revenue, attending to customers, dealing with the competition, accommodating an expanding workforce, etc.

E. *Maturity:*

Entrepreneurs faces two type of challenges in this stage: one is expansion and the other is competition. This is the time when the entrepreneur needs to rethink about the strategy which will be useful for further expansion. For this they need to be aware of the opportunities for the expansion, availability of finance for the expansion. In fact, many companies change bringing in a seasoned CEO who is fit to navigate the new challenges.

IV. CHALLENGES FACED BY START-UPS IN INDIA

Though start-ups are very essential for the development of the nation still they are facing lot of challenges for their sustained and development. Start-ups are facing lot of challenges like lack of mentorship, lack of infrastructure facilities, struggling to reinvest continuously, unable to get resources for long term, taking more time to execute etc., but the following are the main bottlenecks for the start-ups and very hard to cope up.
They are:

- Getting funds
- Building the right team
- Lack of mentorship
- Lack of knowledge about the customer
- Executing too slowly
- Regulations

F. *Getting funds:*

In the current market situation around 50% of the start-ups are shutting down due to lack of funds. Getting funds from various sources is the biggest challenge for the angel investors to sustain in the market and face the competition. Investors should spend some significant time to evaluate a startup before funding them; by then some of the start-ups it is too late.

G. *Building the right team:*

According to the survey, The second most important challenge faced by start-up is to find the right team. Due to this 23 percentage of start-ups are shutting down. Investors spend sufficient time to get right talent at the right time will leads to get success of the business. So, spend time to obtain the talent who has good communication skills, technical knowledge, good initiation skills and passion to take challenges and adopt them according to the changes in the market.

H. *Lack of Mentorship:*

Having the business acumen always keeps one a step ahead of others. This is, perhaps, even bigger problem than the accumulation of funding. Money can't grant you wisdom and vision, though it's necessary for other things. So, careful and small steps at a time can help you gather momentum eventually in the long run. Talent, tenacity and tactics are the 3T's to remember.

I. *Lack of knowledge about the customer:*

In India, every state has a unique taste, culture, food habit, language and outfit. So, what is selling in Maharashtra like hot cakes might remain untouched in Tamilnadu. A thorough knowledge of region-wise need and a practical market survey is of utmost importance before venturing into the perilous sea of start-ups. Location thus plays a key factor in the success. In this particular case, it's better not to stick to Steve Job's suggestion of not asking the customers, *for people don't know what they want until you show them*. One should remember, every startup doesn't produce something as

revolutionary as iPods. Marketing strategy comes under this same section as well.

J. Executing too slowly:

Start-ups are facing one of the challenges is execution. Implementing the idea is equally important to getting the idea why because; put the plans into action plays significant role in the success of the business. Due to lack of funds, lack of resources and lack of right talent very difficult to execute effective strategy. This is the biggest enemy of a startup.

K. Regulations:

Although things are improving on the regulations front, it is still challenging to register your company, which takes anywhere between a month to 6 months. Regulations pertaining to labor laws, intellectual property rights, information technology, contracts, dispute resolution etc. are stringent in the country which might make it difficult for the startup initially.

L. Findings & conclusion:

Many people have a dream to start a business and make it to run in a successful way. When they start a new business i.e., startup need to invest lot of time, money and effort to turn it into profitable and successful entity. Though start-ups are facing lot of challenges main challenges are funding, talent management, and customer awareness. Funding is the major obstacle for startup not only that finding and convincing the investors to be a part in the growth of the business is very crucial in the early days of a business. Moreover, there is a growing trend of smaller investment in early stage of start-ups is better than big investment in bigger start-ups. Funding is the challenge of start-up is one side of the coin and the other side is acquiring right talent at the right time is very crucial for sustainability and face competition. Every business success is mainly depends on optimum utilization of resources. So, start-ups should maximize their efforts to cope up those challenges and move in a successful way. In order to achieve real success, start-ups in all areas of business, not just in technology they must be encouraged by the government. Indian government is providing enough opportunities for the start-ups. India occupied 3rd position in the startup development nation in the world.

In India, the opportunities and challenges for the start-ups are more so it will take combined efforts from the government and the start-ups to overcome these challenges.

V.   ACKNOWLEDGMENT

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