



Research Article

PROBLEMS AND CHALLENGES OF STARTUP UNITS IN INDIA

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Abstract

India is the second largest populated country in the world with a population of 1.2 billion. The job market in India has immense potential to cover this huge population. To this extent, the Government of India has taken initiatives to promote bank financing for startups and provide incentives to promote entrepreneurship and job creation. Startups have been the flavor of the season in the Indian markets over the years. This has resulted in the rise of several domestic startups across India. One of the major contributors to this growth has been mega funding. It is pledged in most firms between the period 2007 and 2015. This has been achieved in line with the global trend that is dominating the space. Aspiring firms have also fared well during this period, where managing to find investors is generally considered a difficult task. Betting big on Indian innovation has become a matter of global interest. Prime Minister Narendra Modi launched an ambitious program called Startup India Standup India. It was aimed to revolutionize and accelerate the startup revolution in India, which is already seeing strong traction. However, the road to success is not as easy as it seems. Indian businesses are suffering from various problems like unorganized and fragmented Indian market, lack of clear and transparent policy initiatives, lack of infrastructure, lack of knowledge and risk aversion, complexities in doing business, etc. At least now they are being recognized as issues and need to be addressed. The framework and curriculum of rules should be updated and adopted as per the changing times. It is the duty of the policy makers to announce the right policy to bring in and bring startups to India.

Keywords: Various Problems, Lack of Knowledge, Capital and Revolution..

INTRODUCTION

Startup India aims to promote bank financing for startup enterprises to promote entrepreneurship along with employment generation. Prime Minister Narendra Modi in his 15 August 2015 address at the Red Fort focused on restricting the role of the state in the policy sphere and getting rid of barriers such as license raj and land permissions, foreign investment proposals, environmental clearances. A Startup is an entity whose headquarter has been opened in India for less than seven years. Its annual turnover is less than Rs 25 crore. Startup India also aims to promote entrepreneurship among women and SC, ST.

Reference of Chhattisgarh: The Government of Chhattisgarh has been relentlessly working towards developing the startup ecosystem of the State. The State introduced a new startup policy and action plan for the year 2019 to 2024 to keep up with the ever-changing needs of the startups. Earlier, the State had drafted a startup policy for the period 2014-2019. The startup policy outlines tax benefits and subsidies available to startups in the State. The policy also includes incentives for new incubators being set up in the State. Through the key pillars of the startup policy i.e., the collaboration between startups and industries, and incentives for startups and incubators, the State has propelled from ideation to implementation. The State provides subsidies that range from investment subsidies, fixed capital subsidies, and relaxations on electricity duty. These subsidies play a major role in nurturing the startups in the State and encouraging budding entrepreneurs. The Department of Industries and Commerce is the nodal department responsible for the startup ecosystem in the State. Startup Chhattisgarh is supported by a strong network of incubators as well as various other stakeholders.

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Objective of Paper

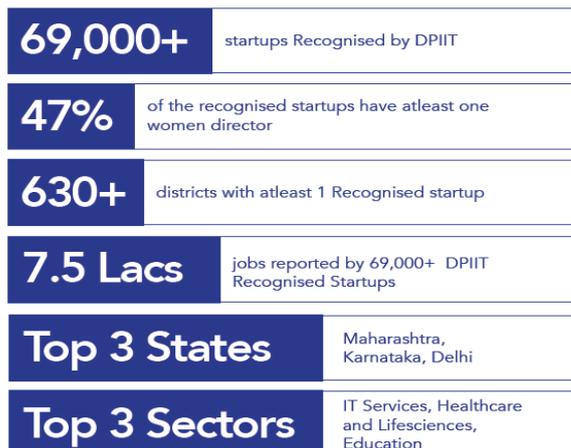
- 1. To review the benefits of startups India.
- 2. To analyze the opportunities for Startup India in the economy.
- 3. To identify the challenges and issues faced by Startups in India.

RESEARCH METHODOLOGY

The study is a humble beginning. It is mainly based on secondary data. The researcher is interested to set up a startup; hence the study has been carried out by referring various news papers, books, reports, magazines, journals etc.

Benefits under Startups

To promote growth and help Indian economy, many benefits are being given to entrepreneurs establishing startups by the Government of India.



Intellectual Property Rights (IPR): To promote awareness and adoption of IPRs by Startups and facilitate them in protecting and commercializing the IPRs, Startup India provides access to high-quality intellectual property services and resources, including:

- **Fast-tracking of startup patent applications-** The patent application of startups is fast-tracked for examination and disposal. The process is much faster for DPIIT recognized startups
- **Rebate on Filing of Application-** Startups are provided with an 80% rebate in filing of patents vis-a-vis other companies, bringing down the cost from INR 8,000 to INR 1,600. This helps them cut down on costs in their early years. 50% rebate is also provided in filing of trademarks vis-a-vis other companies decreasing the cost from INR 10,000 to INR 5,000
- **Panel of facilitators to assist in IP applications-** Facilitators are responsible for providing general advisory on different IPRs, and information on protecting and promoting IPRs in other countries. Central Government bears the entire fees of the facilitators for any number of patents, trademark or designs, and startups only bear the cost of the statutory fees payable

Relaxation in Public Procurement Norms: Government of India has authorized its ministries, departments and public sector undertakings to relax norms in all public procurements. Startups are entitled to avail exemption on: I) Prior Turnover II) Prior Experience III) Earnest Money Deposit,

- DPIIT recognized startups can now get listed as sellers on the Government of India's largest e-procurement portal: Government e-Marketplace.
- 13904 DPIIT recognized startups registered on GeM Have made sales worth INR 7533cr.

Self-Certification Under Labour & Environment Laws:

- Startups are allowed to self-certify their compliance under 9 Labour and 3 Environment laws for a period of 3 to 5 years from the date of incorporation
- In respect of 3 Environment laws, units operating under 36 white category industries (as published on the website of Central Pollution Control Board) do not require clearance under 3 Environment related Acts for 3 years.
- To reduce the regulatory burden on Startups, thereby allowing them to focus on their core business and keep compliance costs low.
- Total 29 States registered this Offer Self-Certification under 9 Labour laws.

Faster Exit for Startups: The Ministry of Corporate Affairs has notified startups as 'fast track firms', allowing them to wind up operations within 90 days as compared to 180 days for other companies. Startups with simple debt structures or startups meeting specified criteria can be terminated on a fast-track basis within a period of 90 days from the date of application for winding up.

Tax Exemption For 3 Years: Recognized Startups which are granted Inter-Ministerial Board Certificate are exempted from Income Tax for a period of 3 consecutive years out of 10 years since the Startup incorporated on or after 1st April 2016 but

before 1st April 2023 Under this, you can apply for income tax exemption. Section 80- IAC of Income Tax Act

Opportunities for Startup India in the economy

Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry is initiating Startup India Seed Fund Scheme (SISFS) with an outlay of INR 945 Crore. The scheme was announced by Hon'ble Prime Minister during Startup India International Summit "Prarambh" on 16th January 2021. Startup India Seed Fund Scheme (SISFS) aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization. This would enable these startups to graduate to a level where they will be able to raise investments from angel investors or venture capitalists or seek loans from commercial banks or financial institutions. The target of the scheme is to disburse the Seed Fund to 3600 startups through 300 incubators across India.

- "GeM Startup Runway" is a unique concept initiated by Government e Marketplace in partnership with Startup India, to promote entrepreneurship through innovation. This program is an opportunity for agile and lean startups to reach out to the universe of Government buyers by offering products and services that are unique in concept, design, process, and functionality through the Startup Runway corner
- DPIIT recognized startups can also become preferred bidders on CPPP portals, which sees over 2,00,000 tenders every year

Challenges

Startups are facing their own set of challenges irrespective of their kind. These are classified as under: Culture: Startups and Entrepreneurship are recent phenomenon in India. People of India have moved from job to job creators a decade and half years ago. Doing a startup is tough and every startup has the problem of failures rather than success. An entrepreneur needs to be prepared to face failures and unprecedented hardship. Indians are not groomed to fail culturally. A startup failure will teach the entrepreneur what to do and what not to do in future. People will look down upon failure which is conditioned by our culture. To overcome from failures, the encouragement is not done as and when it happens. Entrepreneurship is often about failing and learning from those failures and starting all over again. It can be suggested that the people need to start accepting failures and allow for second chances.

Working Capital or Investment: The Capital and access to capital has been a inherent problem for startups in India. A large number of startups still face problems to raise funds from institutional setup apart from the participation of angel investors, venture capital and private equity. Startups do not get funding from banks in the initial phase of operations. In addition, credit rating firms are also limited number of for small and medium sized enterprise. Startups struggle to survive the competition despite having raised good investments.

Product Qualities and Market issues: Indian Consumer Behavior changes in every 30-50km which makes difficult for a startup to create business or market strategy for their products or services. As a result, most startups were failed and gradually shut down. An important problem faced by startups

is related to location of their business. India is a place of varied culture and taste and thus every product might not be suitable and welcomed equally in every region in India.

Knowledge Level of Technology: Most startups have a B2B business model. Thus cyber risk may increase as they are not aware of the potential risks. There is no back-up plan to keep the startup company running when a crash destroys some critical equipment in their data center. Sustainability issues: The level of knowledge that business consultants have about ecological issues and their willingness to discuss these with their clients is important in building business ventures. The provision of more information directly to business founders could help lead to the adoption of more sustainable business practices. Most entrepreneurs are not aware of what could exist for their startup business. Furthermore, the role of public funding in promoting sustainable enterprises is often overlooked. Regulatory issues Multi window clearance: Budding entrepreneurs have to make multiple visits to government offices for registration and clearance. Several regulatory clearances need to be cleared immediately.

Taxation Issue: The Government of India has enacted GST Act with a aim One Tax One Nation with w.e.f July 1st 2017 the GST filed returns filing is a barrier for technology adoption and proves to be an immense hurdle for budding entrepreneurs.

Conclusion

Department of Expenditure has harmonized the Startup Definition under the Manual for Procurement of Consultancy and other Services, 2017 with the definition of DPIIT notified dated 19th February 2019. The Manual for Procurement of Consultancy and other Services, 2017 now considers an entity

as startup up to a period of 10 years vis-à-vis 5 years and turnover threshold has been revised from INR 25 crore to INR 100 crore. Furthermore, an entity recognized as startup by DPIIT shall now be eligible for benefit granted under Procurement purposes as against the requirement of obtaining eligible business certificate by the Inter-Ministerial Board. Startups are provided with an 80% rebate in filing of patents vis-a-vis other companies. The benefit of 80% rebate has now been extended to Educational institutions as well. Educational Institutions shall mean a university established or incorporated by or under Central Act, a Provincial Act, or a State Act, and includes any other educational institution as recognized by an authority designated by the Central Government or the State Government or the Union territories in this regard.

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