

**STARTUP INDIA” FLAGSHIP PROGRAMME- CHALLENGES AHEAD****Suman Devi*, Dr. Vazir Singh Nehra*** Research Scholar, Department of Commerce, Maharshi Dayanand University, Rohtak
Professor, Department of Commerce, Maharshi Dayanand University, Rohtak-124001,**DOI:****KEYWORDS:** Startup India, Initiatives, Challenges, Incubators etc.**ABSTRACT**

Startup India is a flagship initiative of the Government of India, proposed to build a strong eco-system for nurturing innovation and it will drive sustainable economic growth and generate large scale employment opportunities in the country. The campaign was announced by Prime Minister Narendra Modi on 15 August, 2015 while addressing from the Red Fort. Government aims to empower Startups to grow through innovation and design. The programme is being organized by Department of Industrial Policy and Promotion (DIPP). It calls upon 1.25 lakh bank branches in the country to finance startups by at least one tribal & dalit entrepreneur and one woman entrepreneur. But there are so many challenges in implementing this flagship programme such as lack of funds, lack of efficient mentors, poor marketing, unhealthy management, lack of skilled workers etc.

INTRODUCTION

Startup India campaign is based on an action plan intended to promote bank finance for start-up ventures to boost entrepreneurship and encourage jobs creation. The campaign was first announced by Prime Minister Narendra Modi on 15 August, 2015 while addressing from the Red Fort. It's focused on to restrict role of States in policy domain and to get liberate of "license raj" and hindrances like land permissions, foreign investment proposal, environmental clearances etc. Startup India campaign is organized by Department of Industrial Policy and Promotion (DIPP). The *Startup India* initiative is also aimed at promoting entrepreneurship among SCs/STs & women communities. Rural India's version of Startup India was named the Deen Dayal Upadhyay Swaniyojan Yojana and it is being designed by the rural development ministry & will be backed by The Micro Units Development and Refinance Agency (MUDRA) Bank loans, innovative credit linkages and self-help groups. MUDRA Bank oversees funding for micro and small enterprises. India's new-age startups are important not only because they can create jobs and wealth for many, but also because they hold the promise of solving many of Bharat's biggest problems such as healthcare, education etc. that the government has recognized, by putting together a formal Startup Action Plan for the country.

OBJECTIVES OF THE STUDY

In this context, the present research study was undertaken to:

1. To describe the role played by startup incubators and government.
2. To highlight the problems and issues faced by startups.
3. To suggest remedial actions for the problems faced by startups in India.

Definition of Startup (only for the purpose of Government schemes)

Startup means an entity registered in India not prior to five years, with annual turnover not exceeding INR 25 crore in any preceding financial year, working towards innovation, development, or commercialization of new products, processes or services driven by technology or intellectual property right, provided that such entity is not formed by splitting up, or reconstruction, of a business already in existence. Also provided that an entity shall cease to be a Startup if its turnover for the previous financial years has exceeded INR 25 crore or it has completed 5 years from the date of incorporation. Further provided that a Startup shall be eligible for tax benefits only after it has obtained certification from the Inter-Ministerial Board, set up for such purpose.

Key Points:

- 10,000 crore fund
- 80% reduction in patent registration fee
- Modified and friendly Bankruptcy Code to ensure 90-day exit window



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- Freedom from perplexing inspections for 3 years
- Freedom from Capital Gain Tax for 3 years
- Freedom from tax in profits for 3 years
- Eliminating red tape for ease of doing business
- Self-certification compliance Regime
- Startup Innovation hub under Atal Innovation Mission
- Starting with 5 lakh schools to target 10 lakh children for innovation programme
- New schemes to provide Intellectual Property Rights(IPR) protection to start-ups
- Encourage entrepreneurship.
- Single Window Clearance Scheme also with the help of a mobile application
- Stand India across the world as start-up hubs.

Startup India Scheme – From Job Seekers to Job Creators

The startup event was inaugurated on 16 January 2016 by immediate finance minister Arun Jaitley. Among the attendees, there were around 40 top CEOs, many startup founders and investors from Silicon Valley. During his speech, honorable Mr. Narendra Modi (PM) said that we are trying to make the young job creators rather than job seekers. One's mindset should not be towards earning money in the initial phase, it should be rather on creating and using the opportunities. Technology is evolving with a very fast pace than before. This has given birth to various new businesses like E-commerce, internet marketing etc. So, there is a great scope of development in such areas. Many Indians have always been business know-how, but in the last decade, India's middle class, where parents aspired to see their children as engineers and doctors in stable salaried jobs, has changed in a way not seen before. For the first time educated middle income group is creating jobs with the help of startups.

GOVERNMENT'S ROLE FOR STARTUPS

The Ministry of Human Resource Development and the Department of Science and Technology have contracted to partner in an initiative to set up over 75 such startup support hubs in the National Institutes of Technology (NITs), the Indian Institutes of Information Technology (IIITs), the Indian Institutes of Science Education and Research (IISERs) and National Institutes of Pharmaceutical Education and Research (NIPERs). The Reserve Bank of India take some steps to improve the 'ease of doing business' in the country and contribute to an ecosystem that is contributing to the growth of startup businesses. Moti Lal Nehru National Institute of Technology (MNNIT) Allahabad has been recognized for development of Startup Centre and IIT Kanpur has been identified for development of Research Park under the 'Startup India' initiative by Department of Higher Education. Department of Science and Technology (DST) and Ministry of Human Resources Development (MHRD) have jointly taken initiative for promoting establishment of Research Parks, Technology Business Incubators (TBI) and Startup Centers. Ministry of Human Resource Development has approved 13 proposals of Startup Centers, 16 proposals of TBIs and 6 proposals of Research Parks from different Centrally Funded Technical Institutions (CFTIs). The steps taken to create ease of doing business include setting up of an Investor Facilitation Cell, launch of e-biz Portal and liberalizing policy for industrial license for defence industries. The Foreign Direct Investment (FDI) policy and procedures have been simplified and liberalized progressively. BSE Institute Ltd, a wholly owned subsidiary of the Bombay Stock Exchange (BSE) Ltd, launched a new accelerator for startups in collaboration with Ryerson Futures Inc (Toronto), the technical arm of Ryerson University, Ontario, Canada.

State's Assessment

Southern States of the nation have shown great performance, like Karnataka, Kerala, Andhra Pradesh and Telangana which have better results than the rest of the country in terms of their policies implementation for supporting startups. Their focus has been on improving infrastructure, especially in the Tier-II cities. Bengaluru, a metro city of Karnataka, is known as the Silicon Valley of India. Kerala is well known for the government's startup policy i.e. "Kerala IT Mission", which focuses on investments for the State's startup ecosystem. It also made India's first telecom incubator Startup village in 2012. The state also matches the funding raised by its incubator from Central government with 1:1. Telangana has launched the largest incubation center in India as "T-Hub". Andhra Pradesh has allocated a 17,000 sq.ft., Technological Research and Innovation Park as a Research and Development laboratory. It has also created a fund called "Initial Innovation Fund" of 100 crore for



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entrepreneurs. The government of Madhya Pradesh has collaborated with the Small Industries Development Bank of India (SIDBI) to create a fund of 200 crore. Rajasthan has also launched "Start-up Oasis" scheme.

Initiatives taken for "Startup India"

A number of initiatives have been taken in tune with Modi's Startup India vision after its announcement. Recently, the government had also issued a directive to all ministries stating that all startups will now be exempted from the prior experience criteria in public procurement. Also, the government had mandated that the central government departments and ministries, along with its central PSUs, procure at least 20 percent of their purchases from micro and small enterprises, starting from April 1, 2015. Till now, the department has launched more than 100 technology business incubators in academic and R & D institutions which include IITs, IIMs, NITs, and other institutions. Every incubator focuses on a technology domain, and all of them combined house more than 2,000 startups and offer a total incubation space of approximately seven lakh sq.ft. Additionally, six more centers of excellence will be opened in SINE-IIT Bombay, Venture Center-NCL Pune, CIIE-IIM Ahmadabad etc and 14 Technology Business Incubators which include IIT Patna and Mizoram University etc. 10 more incubators will be supplemented with Seed Support Systems which include Startup Oasis-Jaipur, Amrita TBI-Kollam, Venture Center, NCL-Pune etc and establish a Research Park at IIT Gandhinagar.

A variety of other new programmes including a fellowship programme for entrepreneurs i.e. Entrepreneurs in Residence, scaling up of startups through the accelerator programme and also to boost women empowerment through entrepreneurship, has been launched. Along with all these initiatives, the department has also partnered with corporate like Intel, Lockheed Martin, Texas Instruments and Boeing as well as the Department of Higher Education, MHRD to establish research parks and startup centers. State-owned Oil and Natural Gas Corporation (ONGC) recently said that it had invested Rs. 100-crore startup fund to nurture new ideas. Though countless initiatives have been launched, whether entrepreneurship in the country receives a real boost remains to be seen. A total of 728 applications had been received till July 18, 2016 for 'startup' recognition, said by Commerce and Industry Minister Nirmala Sitharaman in a written reply in the Rajya Sabha. Out of them, 180 applications are complete and have been recognized as startups by the Department of Industrial Policy and Promotion (DIPP). Only 16 applicants are incorporated after April 1, 2016 and are thus eligible for consideration for tax benefits as per the Finance Act 2016. Top 50 companies in India have been requested to contribute towards strengthening the incubation facilities in the country through their Corporate Social Responsibility (CSR) initiatives. In order to give momentum to startups, the Centre hold detailed discussions at New Delhi with States and other stakeholders on July 23, 2016. The main aim of the day-long function is to share knowledge and best practices being followed by other states on promoting budding entrepreneurs. Representatives of five States, including Kerala, Telangana, Gujarat and Rajasthan gave presentations on their respective startup policies. Commerce and Industry Minister Nirmala Sitharaman has asked the Finance ministry to consider rising tax holiday for startups to seven years to encourage budding entrepreneurs. The Bihar Startup Policy 2016 was approved by the state cabinet on September 6, 2016. A corpus of Rs500 crore has been set aside as venture capital under the seven resolves of the state government.

STARTUP INCUBATOR & MENTOR

Startup incubators help new startups to succeed. They help entrepreneurs solve some of the problems commonly associated with running a startup by providing workspace, seed funding, mentoring, training & development etc. The sole purpose of a startup incubator is to help entrepreneurs grow their business. They are usually non-profit organizations, which are usually run by both public and private entities. Incubators are often associated with universities and some business schools; allow their students and alumni to take part in these programs. There are several other incubators, which are formed by governments, civic groups, startup organizations or successful entrepreneurs. The government announced 35 sector-specific incubators to help startups. While most of the media emphasis focuses on technical startups, incubators aren't just limited to one industry. In fact, the focus of incubators varies by region. There are also all-purpose incubators that consider all kinds of startups, rather than of industry. The names of some top incubator in India are as follow:

1. Indian Angel Network (IAN) Incubator
2. The Hatch
3. Technology Business Incubator (TBIU), IIT Delhi
4. TLabs
5. GSF India
6. Veddis

**Startup Incubator Services**

List of the most common services provided by incubators:

- Provide Networking opportunities
- Help in understanding business basics
- Marketing experience & support
- High-speed Internet access
- Accounting/financial management assistance
- Access to bank loans, loan funds and guarantee programs
- Help in improving presentation skills
- Connections to higher education resources
- Connections to strategic partners
- Access to angel investors or venture capital
- Comprehensive business training programs
- Identification of Management team
- Help with business etiquette
- Technology commercialization assistance
- Help with regulatory compliance
- Intellectual property Rights management and legal counsel

CHALLENGES FOR STARTUPS

Startups planners struggle for many reasons. Some even die, or never quite attain the degree of success as early as they had hoped. They may not have anticipated obstacles and may not even know how to respond. There are so many challenges that startup planners face. The main challenge is low quality of education in the institutions of the nation, which is always questioned and not found matching with the organizations' standards for the required skill set. The country has also launched the Skill India campaign for addressing the issue.

Here are some of the challenges that startups are facing and will face in near future:

Lack of Capital

Scaling is prudent in case of a startup and scaling comes from capital. The challenge is not to merely generate enough seed capital but also to support in expansion, nourishment and maintenance. It is critical to plan for finance in advance. It is difficult to consider all the elements and set a budget and maintain this as much as possible to be on track. There is the requirement of maintaining specific budget for each activity such as marketing, advertising, production, research & development. External capital can only give the necessary push to your business, it cannot run the business; hence focus on creating value and solving the problem of the people. Often, startups have innovative ideas and a lot of ambition, but not necessarily a budget or fund to bring their ideas to life in practical shape.

Delays in finding the right personnel

Certain skills are crucial not only for the business to survive, but also to grow. Knowing the exact skills needed and how to get those essential people may determine how well startup thrives. Delays in finding the right personnel will not only consume valuable time, but also lead to severe bottlenecks, perhaps delay rollout of new products or services. These are delays, which no startup can afford. One may also have hired the wrong people. The most important element of every startup is a team of dedicated people who know their work and do it without being reminded of the same. Finding a good team is the major challenge.

Lack of time management

One of the main challenges in path of startup is lack of time management. There's never enough time. There are a number of decisions to be made within a short period. There is lack of priority in decision-making. There are so many distractions who lead to mismanagement of time. So, start by eliminating or minimizing distraction that gets in the way of running business.

Half-hearted efforts

A founder of startup does not act outside his comfort zone. He works only within his sooth environment.
Unwillingness of a startup planner to work beyond the comfort zone is the main cause of failure of startup.



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He usually cannot make a convincing pitch to potential investors when he is in need of funds. Founders should prepare themselves to put in the hard yards to make their startup thrive.

Huge Lack of Efficient Mentors

Young entrepreneurs usually have unique ideas, however, they lack experience. A brilliant idea works only if executed promptly. Industry insights, market knowledge, business experience is important to materialize the idea. Mere ideas cannot boost startups. All these problems can be solved by mentors as they are tagged by a network system that can help to develop contacts and expand existing business network. For a startup, it is very important to have mentors who have been through a similar process of starting or have business experience. A great mentor is often what separates success from failure by providing valuable inputs. However, there is no formal mechanism of mentors for startups in the country. Every mentoring that happens is on an ad-hoc basis. In India there is lack of efficient mentor. To find a good mentor for startups is often an uphill task.

Poor & unhealthy management

One of the challenges that startups are facing is ineffective and poor management. A team that worked well in the initial stage may find itself exposed as the startup expands, or is tested by everything from poor sales or market conditions. Startup planners have to face difficulty in **knowing demographics**. The hardest but most important piece is getting accurate target demographics properly.

Lack of Planning for technological changes

Predicting the unforeseen technology variables that hold the future is a challenge. Nearly 10 years ago, there was no marketing on Facebook, and Twitter and Instagram. Today, these social media platforms play a huge role in business' marketing strategy and directly affect sales. It is difficult for startups to cope with technological changes.

Lack of concise, realistic & interesting plan

One of the challenges is to keep startup plan concise, realistic and sweet. Planner should know straight forward what they have and what they want to do with available scarce resources. It is a challenge for all startup planners to cover all the relevant bases or areas in their plan. Key areas like sales, development, staffing, skills requirement, finance etc. should be parts of business plan and it should be flexible enough to cope if events take an unexpected turn. Contingency and flexible planning is vital. If plan is all optimism, and fails to allow for surprises, it will bet the plan completely. A startup planner should evaluate pros and cons of every alternate of a decision. Proper weight should be given to all planning premises.

Lack of constant reinvention

Due to the advent of technology and competition, the challenge is to provide over and above an earlier innovated product. There is need to constantly reinvest and come up with a product to be able to match customer expectations.

Regulations

Although things are improving on the regulation fronts, it is still challenging to register a company, which takes anywhere, between a months to six months. Regulations pertaining to labor laws, intellectual property rights, information technology, contract, dispute resolution etc. are stringent in the country which creates problems for startups initially.

Lack of perspective & prediction

The biggest issue with most business plans is lack of perspective. Business planners are excited by their ideas, start from the point of view that it can't fail and never fully identify all of the risks associated with their plan. Predicting revenues is like looking into a crystal ball. Costs are difficult to predict as these are not under the full control of company and depend on overall strategy and focus. Some costs are contingent, lead to uncertainty.

Lack of infrastructure support

Infrastructural supports are not easy to find in India. Irregular power supply, lack of telecommunication facilities, lack of roads & other transportation facilities, inadequate water supply etc. can be a hindrance to the growth of



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any business. Corruption free environment, friendly regulations, good connectivity, healthy environment, efficient logistic support, can help a great deal in attracting investor in the country.

No learning from mistakes

While the economic have hard influences, mistakes in a startup environment are inevitable. But there is lack of learning from mistakes and do not take quick actions toward some serious aftershock. Create a robust team and work in cohesion with the stakeholders.

Failure unaccepted by culture

There is little tolerance for failure in our country. Our focus is still on getting reputable jobs in a reputable company. Doing a startup is tough and every country sees more failures than success. An entrepreneur needs to be prepared to face failures and unprecedented hardship. However, culturally we are not groomed to fail and failure is frowned upon. Entrepreneurship thrives on celebrations and a society that fails to appreciate business failures stifles innovation and creativity even before it can start.

Unsupportive govt. policies - Government is the single largest enabler for the entrepreneurial ecosystem. Government's role in ease of doing business and helping the companies start a business is vital to ensure success. According to the latest World Bank survey 'Ease of Doing Business' (out of 189 economies) ranks India at an abysmal 142 where starting a business rank for the country is even lower at 158. It is difficult to start a business in India and countless laws and regulations means it takes about 30 days to comply compared to just 9 days in OECD countries. The government's role has so far been limited to giving out grants and loans, but without an effective, healthy & enabling environment, implementation is far off the target.

Bad Location

The most important problem faced by an Indian startup is the location from where it is being launched. India is a place of varied culture and taste, thus, every product might not be welcomed equally by every region. Many failed businesses attribute their failure to the lack of their market access. Choice of appropriate location and market segmentation is must in order to survive in the market. Same marketing mix cannot be applied in all market segments.

Single Founder

Starting a startup is too hard for one person. Even if one could do all the work himself, he need colleagues to brainstorm with, to talk him out of stupid decisions, and to cheer up when things go wrong. It is normally said that two persons are always better than one single person & two and two makes five instead of four because of synergistic effect.

Poor marketing

Poor marketing is one of the main challenges of startups in India. Without efficient marketing it is difficult to capture a potential market share and to build up product image. Marketing is not related simply to sell the product in the market, but related to all activities starting from market research to providing after sale services to the consumers. Some startups encounter problems because they haven't put enough resources into marketing and sale activities. Sometimes they ignore them completely and put their faith in word of mouth. Marketing must be considered as the backbone of an enterprise.

Marginal niche

Most of the groups that apply for startup suffer from a common problem: choosing a small, ambiguous niche in the hope of avoiding competition. If one makes anything good, surely he is going to have competitors. One can only avoid competition by avoiding good ideas. It's not that people think of grand ideas but decide to pursue smaller ones because they seem safer.

Derivative ideas

It is one of the main challenges that many of the startup plans are imitations of some existing company. There is lack of originality in ideas. Imitations with itself carry a lot of errors and limitations. Look for problems, envisage the idea and imagine the startup that might solve them.

**Government regulations**

Everyday government regulations are changing. Some are good; some are bad. Each state has a different tax form that needs to be filled if you want to ship products to customers in that state. There is no central tax or governing body that regulates the e-commerce space. As a result, a lot of times this bureaucracy leads to bribes and under the table dealings.

Bad launching time

Launching too slowly has probably killed a hundred times more startups than launching too fast, but it is possible to launch too fast. The danger here is that a startup planner ruins his reputation. He launches something, the early adopters try it out, and if it's no good they may never come back. It is a big challenge to select a proper timing for launching in order to avoid all complications.

Raising too much/ too little money

Having too little money is dangerous for startup, but is there such a thing as having too much? Yes, the problem is not so much the money itself as what comes with it. There should be a balance under-capitalization & over-capitalization. Both under and over-capitalization leads to inefficient utilization of funds.

What to do for success in startups

For startup flagship programme and many other such programmes, professional and entrepreneurial skills have to be developed among youth generation in order to ensure implementation of different programme successful. Startup programme can deliver best results when proper implementation of Skill India as well as Digital India take place. Industry educational institution collaboration needs to be ramped up as students in top notch universities are eager as well as able to drive innovations. There is a need for diversification of startups to leverage potential of youth in sectors other than IT and software. Overall financial health of banks and corporate must be good so as to promote the start ups as credit is needed for almost every start up. Focus should be on the product and customers satisfaction. A clutch of successful startup entrepreneurs and investors brainstormed at the Indian government's Startup India on the key essentials that should be part of every startup manual. Paying attention to the customer and going back to them for feedback is a key area that must not be ignored. The most important lesson for startups is to have strong man management that can lead the team and company to growth and prosperity. It is not the money which is the driver; it is the common goal and passion that drives any startups. If all these steps are taken properly, Startup India can surely be a road to Step up India.

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