

A Study of Components of a Development of Emerging New Businesses Along with Start-Up Ecosystem & Different Challenges Faced by Startup During the Development Process

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Abstract

India has gained global attention as a leading country that has seen significant development in the establishment of new businesses, positioning itself as a prominent center for start-ups. The birth and growth of a new businesses are impacted by several components, such as the demand for a new firm, the fundamental concept, location & events, finance sources, education & skills, employees & others. The Indian economy is widely recognized as the fifth biggest in the world when measured by gross domestic product, or the third largest when measured by purchasing power parity. The significance of start-ups in fostering this economy cannot be neglected since they contribute to the upward path of the nation's economy. This study paper explores the various components involved in the creation of new businesses & their requirement in the process of the development of a start-up ecosystem. It also focus on the many obstacles & challenges that start-ups encounter throughout the development phase.

Keywords: Start-ups, Start-up ecosystem, Investment Flow, Challenges

1. Introduction

The term "start-up" refers to the establishment of a new business by individuals, partners, or a group of founders in its early stages, leading to the development of a broader start-up ecosystem. The proliferation of start-ups in India has been a significant catalyst for the country's rapid growth. The personalities inside a start-up ecosystem, whether virtual or actual, collaborate as a cohesive system to establish new firms from the ground up. These organizations give additional assistance to universities, support organizations, research and development organizations, service providers, and major enterprises. Various organizations concentrate on distinct aspects of the startup ecosystem throughout their developmental phase. In addition to individuals and the organization, resources such as expertise, time management, and funding are crucial for fostering a conducive atmosphere for the growth of start-ups.

The Government implements several initiatives under the mentioned initiative to achieve particular goals. The Government's persistent endeavors have resulted in a rise in the count of startups acknowledged by the Department for Promotion of Industry and Internal Trade (DPIIT) to 1,17,254 as of December 31,

2023. These established startups are estimated to have generated approximately 1.242 million direct employment, resulting in substantial economic effect. There is a minimum of one acknowledged startup in each State and Union Territory (UT), covering more than 80% of the districts around the country.

The State/UT-wise number of startups recognized by DPIIT and the number of direct employment produced by these startups for the years 2019, 2020, 2021, 2022, and 2023 are provided in Annexure-I and Annexure-II, respectively.

As of December 31, 2023, there are 55,816 businesses recognized by the Department for Promotion of Industry and Internal Trade (DPIIT) under the Startup India program, each of which has at least one female director.

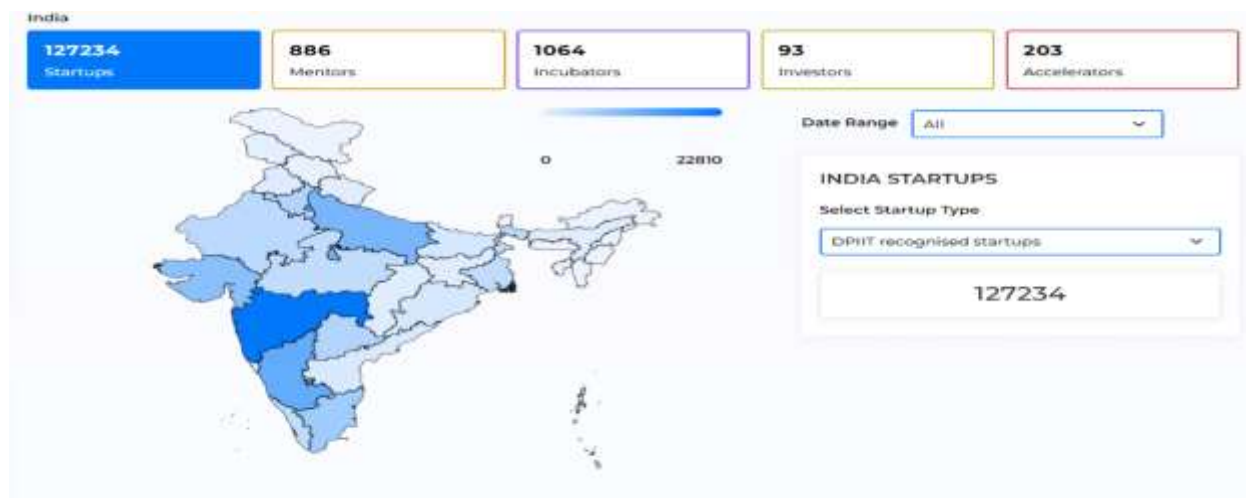


Figure 1: Number of start-up business and data showing as per DPIIT

Source: <https://www.startupindia.gov.in/digital-map/maps>

2. Objectives And Methodology

1. To study and understand startup economy and its importance for emergence of businesses.
2. To study a different components of the startup development process.
3. To study challenges to be faced by start-ups.

Data Collection Method:

The research only relied on secondary data, which was obtained from different sources such as websites and publications. The data was then collated according to the requirements of the study. Data collection for this research relies on public data sources and it is obtained from a various sources including newspapers, journals, publications, and websites with a special focus on NitiAyog and the Department of Industrial Policy & Promotion (now DPIIT). The analysis includes the Startup Outlook report for 2023 & 2024, as well as the Startup Ranking Report for 2023 by DIPP and the Global Innovation Index Report for 2023.

3. Start-ups and its Ecosystem

Start-ups are not a vacuum. The start-up ecosystem is made up of a group of individuals, other start-ups, and associated organizations in the same industry that collaborate to develop and grow new start-ups. Startup ecosystems are frequently developed in a constrained region, with a university, other academic institutions, or a hub of tech enterprises serving as the focal point. Key players and stakeholders who are

drawn to growth initiatives are brought together by the ecosystem, including aspiring business owners, mentors, incubators, talent sources including businesses and investors, colleges, and supporting services. The members of the startup ecosystem collaborate to value innovation in their local area

The term 'start-up' is rarely used without the phrase 'ecosystem' due to the close association between both. All start-ups require a conducive atmosphere in order to flourish and succeed. Successful start-up ecosystems need a strong vision and purpose to achieve company objectives. Community support helps startups thrive. A strong community underpins a startup environment. Many internal and external factors help build a robust startup environment. Incubators help start-ups thrive and serve as hubs of creation for founders and other customers. There is no set recipe for developing a startup environment. Although every local ecosystem needs certain fundamental components to survive.

4. Core components of Start-up Sustainability

Entrepreneurs

Business owners or individuals who start and manage their own ventures. An entrepreneurial ecosystem cannot exist without a visionary entrepreneur at its core. In light of this, it is considered to be an essential component in the process of recognizing the complexities that create a whole ecosystem. Entrepreneurs not only make a substantial contribution to the community in which they live, but they also put their own personal development and the prosperity of their country at the forefront of their priorities. The more intense the competition, the more determined they are to achieve the highest possible position.

Mentor

This is a crucial component of a start-up ecosystem and maybe the most underestimated one. The significance of effective mentoring has consistently been recognized by prominent entrepreneurs worldwide. For beginners, receiving guidance from experienced mentors may have a significant impact. They assist in cultivating a pragmatic perspective on a challenging start-up endeavor and aid aspiring entrepreneurs in refining their vision and objective. Now, a Indian government has also focused on developing a proper mentorship for businessman looking for start-ups. The initiative of MAARG program is one of the key resource to develop mentorship.



Fig 3: Key Functions of MAARG Program

Source : <https://maarg.startupindia.gov.in/> (by start up India Program)

Skill or aptitude

A startup is nothing without its pool of competent personnel. Talent is not limited to the entrepreneurs and core team who participated in the firm's foundation process; it also encompasses those who are responsible for various critical aspects of the organization. In order to effectively oversee a corporation, it is imperative

to possess a wide variety of skills and knowledge. This group of individuals is a substantial element of the ecosystem. This includes proficiency in human resources, design, marketing, and sales. When a start-up is seeking to recruit individuals who will contribute to its development and success in a competitive environment, individuals with expertise in these areas may be extremely valuable to the organization

Knowledge acquisition

The knowledge or talent are linked together if one considers at an elementary level. Educational institutions are the primary source of talent reservoir and skill set development. Nevertheless, this is progressively shifting as digital technology becomes more prevalent in all aspects of life, including the acquisition of knowledge. However, recruiters have historically relied on a handful of educational institutions when recruiting new employees.

Networking activities

Networking is often regarded as one of the most prevalent methods for establishing a start-up ecosystem. It is not surprising that there are several networking events throughout the year that aim to cultivate a more robust ecosystem. Facilitating the exchange of novel ideas contributes to the enhancement of the ecosystem's robustness. It facilitates connecting with persons who have similar interests and enables the rapid formation of ideas.

Financial support

An crucial prerequisite for a start-up to maintain its existence, without which many newly emerged businesses would be unable to function. Local financing plays a crucial role in the flourishing start-up environment. Nevertheless, entrepreneurs have the option to finance their firms using their own resources. Regardless, cash is crucial for the functioning of a successful start-up ecosystem, and it is essential for an entrepreneur to carefully consider their fundraising and financing choices before diving in.

Culture

Culture refers to the beliefs, customs, practices, and values that are shared by a group of people. It encompasses various aspects of human life, including language. These terms are well recognized as being closely linked to the culture of start-ups. Many individuals hold the belief that culture plays a vital role in bringing an ecosystem to life, which is why culture is closely linked to start-ups. A start-up culture refers to the unique set of values, beliefs, and practices that are prevalent in a newly formed business. It encompasses the entrepreneurial mindset, innovation, risk-taking, and a fast-paced work environment. Start-up culture is significant because it fosters creativity, encourages collaboration, attracts top talent, and drives growth and success in the company. Start-up culture may be defined as the collective drive and enthusiasm of a community working towards transforming a start-up into a thriving and prosperous venture. Furthermore, it should be noted that the development of culture is a gradual and time-consuming process. Understanding the true meaning of a start-up requires years of effort and a multitude of trial and error.

Factors for success of newly emerged business



5. Challenges to be faced in near future:

Primarily, startup academics discuss the sequence of steps required to transform a startup initiative from a concept into a state of achievement. Transforming a nascent and groundbreaking startup into a flourishing enterprise is an arduous endeavor, necessitating the confrontation of multifaceted problems at every stage of the journey. Currently, there are over 150 million start-ups in the globe, and this number continues to grow with the creation of more than 50 million new start-ups each year. On average, a total of 137,000 new start-ups are forming daily. These statistics are substantial regardless of any criteria. However, one may wonder, how many start-ups manage to endure the harsh and transformative waves of change that have radically revolutionized the norms and standards of today's start-ups? Indeed, there is a significant change in the criteria. And that change has cast doubt on the whole process of start-ups. Challenges permeate every facet of existence. Both enterprises in general and start-ups in particular are not exempt from a myriad of obstacles that we encounter on a daily basis.

1. Ruthless Competition

The business environment is very competitive and unforgiving. There is a perpetual rivalry occurring among the giants of the commercial world. Counteraction is a significant obstacle to the sustainability of start-up firms. When starting an internet company, the competition becomes intense. The competitive atmosphere keeps the start-ups on their toes, since there is no room for mistakes. Both B2B and B2C firms consistently experience the intense heat of fierce rivalry. To survive in the competitive business environment, both traditional and online start-ups must aggressively compete and outperform their competitors in order to gain recognition among the ever-growing and challenging business landscape.

2. Unattainable Expectations

Success is not achieved without effort or without accompanying challenges. It has significant expectations. Typically, these expectations may seem sincere, but in reality, they are completely impractical. This same

criteria applies to new start-ups as well. Start-ups can encounter obstacles in their development when they have unrealistic expectations, which might hinder their path to success. Achievement is constrained by time and aspirations are always unmet. Start-ups must choose how to align their goals with the actual expectations. Sustainability is the crucial factor in this endeavor. Achieving sustainability requires ongoing and persistent efforts.

3. Select the most suitable applicant for each specific job role.

The alliance of the team is a crucial factor in defining the organizational culture of start-up enterprises. A team is comprised of individuals who possess comparable qualities or share same aims. In order to establish a highly effective team culture, firms, particularly start-ups, must recruit appropriate personnel for the correct tasks.

4. Collaboration

The essential component for obtaining success is collaboration. This formula is also pertinent to start-up enterprises. In this digital era that is swiftly evolving and dynamic, start-ups are also facing challenges in establishing honest and ethical partnerships, as enterprises are compelled to contend for survival. In the present day, it appears to be a substantial impediment for start-ups. Partnerships with establishments may prove advantageous for technology startups.

5. Financial resource allocation and investment strategy.

The fundamental principle in finance is that income grows in direct proportion to expenditure. The indisputable reality is that the majority of typical obstacles that start-ups encounter today are related to financial management. Small start-ups heavily rely on financial backing from investors with certainty. During periods of cash influx, small enterprises and start-ups often struggle to effectively manage their finances, often succumbing to the pressure.

6. Cyber security

Small start-ups are necessary to successfully overcome the hurdles presented in this digital era. Typically, those who operate online must possess exceptional agility in order to effectively address various online security risks. Cybercriminals are ubiquitous and poised to exploit any vulnerabilities and glitches in the systems used inside a fledgling firm. The incidence of cybercrimes has seen a significant surge during the last several decades. There is a high likelihood that this rate will grow in the near future. Start-ups that are active or primarily online are susceptible to timely internet security concerns. Common dangers to a digital start-up include unlawful access to sensitive information, such as personnel records and bank account details, which are crucial for the company's survival.

7. Gaining the allegiance of customers

It is a well-established truth in the global corporate climate that the customer is of utmost importance and has significant power. Gaining a customer's trust has become a crucial issue that organizations, especially start-ups, must address nowadays. By providing exceptional and dedicated customer service, start-ups may elevate their performance to a level of perfection. Customers are the primary driving factor behind the success of a start-up. The influence of customer's word-of-mouth publicity and their presence on social media may provide a significant advantage to digital start-ups over established enterprises. In order to gain the confidence and loyalty of clients, start-ups must diligently strive to apply a customer-centric attitude.

8. Managing a team

Every successful start-up requires committed personnel. Start-ups have a dynamic and fast-paced working atmosphere, which places a significant amount of responsibility on the workers. Employees are required to engage in collaborative efforts to surpass the requirements of their job description or assist in the growth

of the start-up. Given the increasing number of workers opting for remote work, achieving success in the present context may be readily accomplished. Consequently, start-ups must prioritize discovering methods to foster collaboration among remote staff. Collaboration tools are very valuable in situations like these.

9. Promotion and publicity

Every startup starts on its journey from a state of complete insignificance. To thrive in an industry dominated by large corporations, it is essential to use marketing strategies that distinguish you from your competitors. An effective marketing or advertising strategy is necessary to acquire new consumers. It is important not to overlook crucial elements in business. However, many start-ups fail owing to an inadequate marketing strategy. The primary mistake here is failing to prioritize the marketing plan from the inception of the start-up. If there is no marketing hype around your final product or service prior to the formal debut, the efforts of your start-up will be in vain.

10. Tolerance with patience

Success is achieved by those who demonstrate patience and wait for it diligently. The same principle applies to start-ups as well. When you devote all your time, effort, and energy to launching a start-up firm, it is reasonable to expect desirable outcomes. Many individuals choose to quit the start-up game when they do not see immediate tangible outcomes. The key to success is in dedicating a significant amount of effort to establish a solid foundation for the start-up venture. You make incremental advancements at a deliberate and consistent rate, meticulously selecting various aspects of company operations such as sales, marketing, or finance. Each roadblock is an opportunity to glean knowledge from failure rather than giving up. Exhibiting patience or tenacity at this time will set you out as possessing extraordinary abilities. By persevering, you will eventually reach a stage when you must align your aspirations with your diligent efforts, resulting in the fulfillment of your goals.

Observation & Conclusion

Start-ups have an important role in promoting innovation, entrepreneurship, and creating new job possibilities. To create a favorable environment for entrepreneurship, it is crucial for the government, major enterprises, educational institutions, and investors to actively participate and promote a strong startup culture in India. The government and universities should coordinate the implementation of training, mentoring programs, workshops, seminars, and webinars. India's potential for expanding start-up ecosystems is clear based on the examination of the current scenario. India's ecosystems provide the most promising potential for business opportunities that the world is closely monitoring. India is on the verge of becoming the largest democracy in the world and seeing significant economic development, thanks to the encouragement of an entrepreneurial spirit and the growing availability of capital. There are numerous obstacles associated with providing venture capital to these emerging enterprises. "We need inventive and imaginative solutions that tackle the challenges experienced by Indian consumers, by means of a grassroots initiative." Foreign venture capital firms may exhibit a preference for the replication of business concepts that have already been demonstrated to be successful in developed countries.

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