A Conceptual Study of
Startup India – A Rejuvenation

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Abstract

Scott Belsky once said that It's not about ideas, rather it's all about making ideas happen. It is a well-known fact that for a Startup to flourish only 20 per cent of the idea is required; rest 80 per cent of the work is of execution. In the age of emerging Start Ups, when the competition is at its peak, it becomes difficult for companies to rise. Though India continues to harbor the third largest startup base in the world, the challenges range from cash flow to family support and to choosing right investors and so on. This research paper revolves around the concept of Start Up India Campaign, brought into existence by Shri Narender Modi, Prime Minister on 15th August 2015. The basic purpose of this paper is to throw light on the initiative taken by the government and to discuss the policies, plans, strategies and related schemes. We will also discuss about the roadblocks faced by our young entrepreneurs and the possible outcomes of the same.

Keywords : *Entrepreneurship, Government Plans, Initiatives, Innovation, Startups, Strategies*
Classification-JEL : *L16, O14, O38*

1.   INTRODUCTION

Startups have been the flavor of the season over the last few years for the Indian Market. This has resulted into the emergence of many home grown business ventures across the country. A Startup is usually a company such as a small business, a partnership firm or an organization especially designed to rapidly develop a scalable business model. It is an entrepreneurial venture which is newly emerged and fast-growing business that aims to meet a market place need by developing or offering an innovative product, process or service.

Now the question stands before us is, "what exactly Start Up means?" A startup can be stated as a young company that is just beginning to develop. Startups are usually small and initially financed and operated by a handful of founders or one individual. These companies offer a product or service that is not currently being offered elsewhere in the market, or that the founders believe is being offered in an inferior manner. According to Adora Cheung, cofounder and CEO of Homejoy, one of the Hottest U.S. Startups of 2013, "Startup is a state of mind. It's when people join your company and are still making the explicit decision to forgo stability in exchange for the promise of tremendous growth and the excitement of making immediate impact." Normally a Startup

company tends to exceed its expenses over its revenue as it works on developing, testing and marketing its idea. It requires financing very often. It may be funded through traditional small business loans by banks or some credit unions etc. incubators, friends and family play a good role in arranging capital, loan, gifts or advices. State governments and non-profit organizations also come forward to sort out the hurdles. A startup that can prove its potential may be able to attract venture capital financing in exchange for giving up some control and a percentage of company ownership.

Earlier in 70s and 80s also, we had manufacturing startups which supported seed capital and soft loans etc. by the state and central government. Entrepreneurs who were keen to setting up factories were supported in their endeavors. Those, who did well, further support through loans and earned healthy returns. Otherwise they ended up writing off their previous loans – a model that was totally unsustainable. So many companies lost their money on failed ventures. As a result of this and subsequent economic liberalization since mid-90s, we did not have a startup ecosystem. In the past decade, we have seen the rebirth of the startup ecosystem with a more sustainable business model in the form of venture capital. This is now taking strong root in the tech related areas and we are now seeing the result of this in almost every city of India.

A full action plan for this initiative was launched on 16thJanuary 2016 by the Prime Minister in New Delhi. This action plan provided a platform for wide ranging reforms to give an impetus to the fast-burgeoning startup culture in India. The vision behind this was "less government, more governance", where it was attempted to reducethe regulatory hurdlesfor starting up a business in India. The launch received an overwhelming response from the Startup community and the investors. The plans and policies of government laid down a road map for wide ranging reforms, which gave it a big boost.

2. OBJECTIVES OF THE STUDY

a) To understand the initiative for Start Up India

b) To study the awareness about Start Up program considering recent changes by the government

c) To find out the risks and challenges faced by young entrepreneurs

d) To suggest the possible outcomes

3. LITERATURE REVIEW

It has become increasingly clear in the recent years that the conceptualization of leadership must be broadened beyond that of top-down heroic leaderships. Shared leadership process appendsconsiderable awareness into the staging process of entrepreneurship. This concept is quite important for the expansion and extension of a new start up. In her research paper titled "Start Up Initiative", Akansha Dutta has discussed about the government policies, plans, strategies and schemes related to Start Up Program. She states that Start-Ups are the effective means to encourage the entrepreneurships and also provides Job Opportunities.

Dr. Shailja Badra and Vivek Sharma, in their paper titled "Start up India-New Opportunities for the Entrepreneurs" have thrown the light on the important issue of making capital more accessible and cheaper, easier patent filing process, giving research and development credits and easy entry and exit etc. Their document has rolled out the success to young entrepreneurs.

The paper titled "Start up India – A New Paradigm for Young Entrepreneurs" is written by Abhrajit Sarkar. He states that India, being a second largest populous country, has a large potential of job market. But unfortunately, it is facing severe scarcity of job market and growth rate. He further stated that start up India is a good action plan to overcome this situation, as it is capable of boosting entrepreneurship and job creation.

Madhura Wagh, in the paper titled, "Government Initiative for Entrepreneurship Development-Start up India Stand up India" has told that entrepreneurship has always been the least desirable career choice in India. The main constraining factors are government policies and programmes, education and training etc. but now the initiative taken by the government to build strong eco system for nurturing innovation and startups in country will derive sustainable growth and generate large scale employment opportunities.

A report presented by Grant Thornton and Assocham titled "Startups India-an Overview" has revealed that start up India is going to be the next big theme for economic growth in India. Total no of Start ups are expected to be increased by approx. 100000 in 2025 from 10000 in 2015. This will also help in generating the employment opportunities to a big scale.

4. START UP INDIA-STAND UP INDIA

"I see Start Ups, technology and innovations as exciting and effective instruments for India's transformation."– Shri Narendra Modi (Prime Minister of India)

Start Up India, an initiative of government of India, intends to build a strong ecosystem for nurturing innovations and startups in the country that will drive sustainable economic growth and generate employment opportunities on a large scale. It has immense importance because, for starters, it was the first of its kind dialogue between India's startup community and the government.It aims to empower the young entrepreneurs to grow through innovations and designs. The government of India has announced an action plan to meet the objectives of this initiative, which addresses all the aspects of the system. The government is hopeful to accelerate the Start Up movement from digital technology sector to agriculture sector, manufacturing sector, health care sector, and education sector and all other sectors too including urban, semi-urban and rural areas with the help of this action plan.

Startup meas an entity, incorporated or registered in India:

- Not prior to five years

- With annual turnover not exceeding INR 25 crore in any preceding financial year, and

- Working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property Provided that such entity is not formed by splitting up, or reconstruction, of a business already in existence. Provided also 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/ registration. Provided further that a Startup shall be eligible for tax benefits only after it has obtained certification from the Inter-Ministerial Board, setup for such purpose.

The Action Plan for Start Up India is divided across the following areas:

- Simplification and Handholding

- Funding Support and Incentives

- Industry-Academia Partnership and Incubation

5. ACTION PLAN IN DETAIL

Addressing the first conference of start-up entrepreneurs, Modi announced an action plan to boost such ventures which are seen as 19 keys to employment generation and wealth creations which are as follow:

a) Compliance Regime based on Self-Certification : Objective is to reduce the regulatory burden on Startups thereby allowing them to focus on their core business and keep compliance cost low.Regulatory formalities requiring compliance with various labour and environment laws are time consuming and difficult in nature. Often, new and small firms are unaware of nuances of the issues and can be

subjected to intrusive action by regulatory agencies. In order to make compliance for Startups friendly and flexible, simplifications are required in the regulatory regime. Accordingly, the process of conducting inspections shall be made more meaningful and simple. Startups shall be allowed to self-certify compliance (through the Startup mobile app) with 9 labour and environment laws. In case of the labour laws, no inspections will be conducted for a period of 3 years. Startups may be inspected on receipt of credible and verifiable complaint of violation, filed in writing and approved by at least one level senior to the inspecting officer. In case of environment laws, Startups which fall under the 'white category' (as defined by the Central Pollution Control Board (CPCB)) would be able to self-certify compliance and only random checks would be carried out in such cases.

b)   **Startup India Hub :** An all-India hub will be created as a single contact point for start-up foundations in India, which will help the entrepreneurs to exchange knowledge and access financial aid. The Government of India has taken various measures to improve the ease of doing business and is also building an exciting and enabling environment for these Startups, with the launch of the "Startup India" movement. The "Startup India Hub" will be a key stakeholder in this vibrant ecosystem and will:

Work in a hub and spoke model and collaborate with Central & State governments, Indian and foreign VCs, angel networks, banks, incubators, legal partners, consultants, universities and R&D institutions

- Work in a hub and spoke model and collaborate with Central & State governments, Indian and foreign VCs, angel networks, banks, incubators, legal partners, consultants, universities and R&D institutions

- Assist Startups through their lifecycle with specific focus on important aspects like

obtaining financing, feasibility testing, business structuring advisory, enhancement of marketing skills, technology commercialization and management evaluation

- Organize mentorship programs in collaboration with government organizations, incubation centers, educational institutions and private organizations who aspire to foster innovation.

To all young Indians who have the courage to enter an environment of risk, the Startup India Hub will be their friend, mentor and guide to hold their hand and walk with them through this journey.

c)   **Rollout of Mobile App and Portal :** An online portal, in the shape of a mobile application, will be launched on April 1 to serve as the single platform for Startups for interacting with Government and Regulatory Institutions for all business needs and information exchange among various stakeholders. Startups often suffer from the uncertainty regarding the exact regulatory requirements to set up its operations. In order to ensure that such information is readily available, it is intended that a checklist of required licenses covering labour licensing, environmental clearances etc. be made available.Towards these efforts, the Government will introduce a Mobile App to provide on-the-go accessibility for:

- Registering Startups with Ministry of Corporate Affairs and Registrar of Firms

- Tracking the status of the registration application. A digital version of the final registration certificate shall be made available for downloading through the Mobile App

- Filing for compliances and obtaining information on various clearances/ approvals/ registrations required

- Collaborating With Various Startup Ecosystem Partners (venture Funds, Incubators, Academia, Mentors Etc.)

■ Applying For Various Schemes Being Undertaken Under The Startup India Action Plan

d) Legal Support and Fast-tracking Patent Examination at Lower Costs : A fast-track system for patent examination at lower costs is being conceptualized by the central government. The system will promote awareness and adoption of the Intellectual Property Rights (IPRs) by the start-up foundations.The scheme for Startup Intellectual Property Protection (SIPP) shall facilitate filing of Patents, Trademarks and Designs by innovative Startups. Various measures being taken in this regard include:

■ Fast-tracking of Startup patent application

■ Panel of facilitators to assist in filing of IP applications.

■ The Central Government shall bear the entire fees of the facilitators for any number of patents, trademarks or designs that a Startup may file, and the Startups shall bear the cost of only the statutory fees payable.

■ Rebate on filing of application. Startups shall be provided an 80% rebate in filing of patents vis-a-vis other companies.

The scheme is being launched initially on a pilot basis for 1 year; based on the experience gained, further steps shall be taken.

e) Relaxed Norms of Public Procurement for Startups : Typically, whenever a tender is floated by a Government entity or by a PSU, very often the eligibility condition specifies either "prior experience" or "prior turnover". Such a stipulation prohibits/ impedes Startups from participating in such tenders. At present, effective April 1, 2015 Central Government, State Government and PSUs have to mandatorily procure at least 20% from the Micro Small and Medium Enterprise (MSME).

In order to promote Startups, Government shall exempt Startups (in the manufacturing sector) from the criteria of "prior experience/ turnover" without any relaxation in quality standards or technical parameters. The Startups will also have to demonstrate requisite capability to execute the project as per the requirements and should have their own manufacturing facility in India.

f) Faster Exit for Startups : In the event of a business failure, it is critical to reallocate capital and resources to more productive avenues and accordingly a swift and simple process has been proposed for Startups to wind-up operations. This will promote entrepreneurs to experiment with new and innovative ideas, without having the fear of facing a complex and long-drawn exit process where their capital remain interminably stuck. The Insolvency and Bankruptcy Bill 2015 ("IBB"), tabled in the Lok Sabha in December 2015 has provisions for the fast track and / or voluntary closure of businesses. In terms of the IBB, Startups with simple debt structures or those meeting such criteria as may be specified may be wound up within a period of 90 days from making of an application for winding up on a fast track basis.

On appointment of the insolvency professional, the liquidator shall be responsible for the swift closure of the business, sale of assets and repayment of creditors in accordance with the distribution waterfall set out in the IBB.

g) Providing Funding Support through a 'Fund of Funds' with a Corpus of INR 10,000 crore : Government will set up a fund with an initial corpus of INR 2,500 crore and a total corpus of INR 10,000 crore over a period 4 years (i.e. INR 2,500 crore per year).The Fund will be in the nature of Fund of Funds, which means that it will not invest directly into Startups, but shall participate in the capital of SEBI registered Venture Funds. Key features of the Fund of Funds are highlighted below:

■ The Fund of Funds shall be managed by a Board with private professionals drawn from industry bodies, academia, and successful Startups

■ Life Insurance Corporation (LIC) shall be a co-investor in the Fund of Funds

- The Fund of Funds shall contribute to a maximum of 50% of the stated daughter fund size. In order to be able to receive the contribution, the daughter fund should have already raised the balance 50% or more of the stated fund size as the case maybe.

- The Fund shall ensure support to a broad mix of sectors such as manufacturing, agriculture, health, education, etc.

h)   Credit Guarantee Fund for Startups : In order to overcome traditional Indian stigma associated with failure of Startup enterprises in general and to encourage experimentation among Startup entrepreneurs through disruptive business models, credit guarantee comfort would help flow of Venture Debt from the formal Banking System. Debt funding to Startups is also perceived as high-risk area and to encourage Banks and other Lenders to provide Venture Debts to Startups, Credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/ SIDBI is being envisaged with a budgetary Corpus of INR 500 crore per year for the next four years.

i)   Tax Exemption on Capital Gains : Government wants to promote investments into Startups by mobilizing the capital gains arising from sale of capital assets. With this objective, exemption shall be given to persons who have capital gains during the year, if they have invested such capital gains in the Fund of Funds recognized by the Government. This will augment the funds available to various VCs/AIFs for investment in Startups. In addition, existing capital gain tax exemption for investment in newly formed manufacturing MSMEs by individuals shall be extended to all Startups. Currently, such an entity needs to purchase "new assets" with the capital gain received to avail such an exemption.Investment in 'computer or computer software' (as used in core business activity, like an accounting software) shall also be considered as purchase of 'new assets' in order to promote technology driven Startups.

j)   Tax Exemption to Startups for 3 years : With a view to stimulate the development of Startups in India and provide them a competitive platform, it is imperative that the profits of Startup initiatives are exempted from income-tax for a period of 3 years. This fiscal exemption shall facilitate growth of business and meet the working capital requirements during the initial years of operations. The exemption shall be available subject to non-distribution of dividend by the Startup.

k)   Tax Exemption on Investments above Fair Market Value : Under The Income Tax Act, 1961, where a Startup (company) receives any consideration for issue of shares which exceeds the Fair Market Value (FMV) of such shares, such excess consideration is taxable in the hands of recipient as Income from Other Sources.In the context of Startups, where the idea is at a conceptualization or development stage, it is often difficult to determine the FMV of such shares. In majority of the cases, FMV is also significantly lower than the value at which the capital investment is made. This results into the tax being levied under section 56(2) (viib).

Currently, investment by venture capital funds in Startups is exempted from operations of this provision. The same shall be extended to investment made by incubators in the Startups.

l)   Organizing Startup Fests for Showcasing Innovation and Providing a Collaboration Platform: To bolster the Startup ecosystem in India, the Government is proposing to introduce Startup fests at national and international stages. These fests would provide a platform to Startups in India to showcase their ideas and work with a larger audience comprising of potential investors, mentors and fellow Startups. As part of "Make in India" initiative, Government proposes to:

- Hold one fest at the national level annually to enable all the stakeholders of Startup ecosystem to come together on one platform.

- Hold one fest at the international level

annually in an international city known for its Startup ecosystem.

The fests shall have activities such as sessions to connect with investors, mentors, incubators and Startups, showcasing innovations, exhibitions and product launches, pitches by Startups, mentoring sessions, curated Startup walks, talks by disruptive innovators, competitions such as Hackathon, Makerspace, etc., announcements of rewards and recognitions, panels and conferences with industry leaders, etc.

m)   Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program : The Atal Innovation Mission (AIM) shall have two core functions:

- Entrepreneurship promotion through Self-Employment and Talent Utilization (SETU), wherein innovators would be supported and mentored to become successful entrepreneurs
- Innovation promotion – to provide a platform where innovative ideas are generated

The main components proposed to be undertaken as part of the mission include:

i)   Entrepreneurship promotion:

- Establishment of sector specific Incubators including in PPP mode (refer #14 of this Action Plan)
- Establishment of 500 Tinkering Labs
- Pre-incubation training to potential entrepreneurs in various technology areas in collaboration with various academic institutions having expertise in the field
- Strengthening of incubation facilities in existing incubators and mentoring of Startups
- Seed funding to potentially successful and high growth Startups

ii)   Innovation promotion:

- Institution of Innovation Awards (3 per state/UT) and 3 National level awards

- Providing support to State Innovation Councils for awareness creation and organizing state level workshops/conferences
- Launch of Grand Innovation Challenge Awards for finding ultra-low-cost solutions to India's pressing and intractable problems.

n)   Harnessing Private Sector Expertise for Incubator Setup : To ensure professional management of Government sponsored / funded incubators, Government will create a policy and framework for setting-up of incubators across the country in public private partnership.

Government shall encourage setting up of;

- 35 new incubators in existing institutions. Funding support of 40% (subject to a maximum of INR 10 crore) shall be provided by Central Government for establishment of new incubators for which 40% funding by the respective State Government and 20% funding by the private sector has been committed. The incubator shall be managed and operated by the private sector.
- 35 new private sector incubators. A grant of 50% (subject to a maximum of INR 10 crore) shall be provided by Central Government for incubators established by private sector in existing institutions. The incubator shall be managed and operated by the private sector.

The funding for setting up of the incubators shall be provided by NITI Aayog as part of Atal Innovation Mission.

o)   Building Innovation Centres at National Institutes : In order to augment the incubation and R&D efforts in the country, the Government will set up/ scale up 31 centres (to provide facilities for over 1,200 new Startups) of innovation and entrepreneurship at national institutes, including:

- Setting-up 13 Startup centres: Annual funding support of INR 50 lakhs (shared 50:50 by DST and MHRD) shall be provided for three years for encouraging student

driven Startups from the host institute.

- Setting-up/ Scaling-up 18 Technology Business Incubators (TBIs) at NITs/IITs/IIMs etc. as per funding model of DST with MHRD providing smooth approvals for TBI to have separate society and built up space

p)   Setting up of 7 New Research Parks : The Government shall set up 7 new Research Parks in institutes indicated below with an initial investment of INR 100 crore each. The Research Parks shall be modeled based on the Research Park setup at IIT Madras, IIT Guwahati, IIT Hyderabad, IIT Kanpur, IIT Kharagpur, IISc Bangalore, IIT Gandhinagar and IIT Delhi.

q)   Promoting Startups in the Biotechnology Sector : In order to promote Startups in the sector, The Department of Biotechnology shall be implementing the following measures along with its Public Sector Undertaking Biotechnology Research Assistance Council (BIRAC):

i) Bio-incubators, Seed Fund and Equity Funding :

- 5 new Bio-clusters, 50 new Bio-Incubators, 150 technology transfer offices and 20 Bio-Connect offices will be set up in research institutes and universities across India.

- Biotech Equity Fund – BIRAC AcE Fund in partnership with National and Global Equity

Funds (Bharat Fund, India Aspiration Fund amongst others) will provide financial assistance to young Biotech Startups.

ii) Encouraging and leveraging global partnerships :

- Bengaluru-Boston Biotech Gateway to India has been formed. Through this initiative, a range of institutes in Boston (Harvard/ MIT) and Bengaluru will be able to connect to share ideas and mentor the entrepreneurs especially in the areas of Genomics, Computational Biology, Drug Discovery and new vaccines.

- Amplification of Bio-entrepreneurship through BIRAC Regional Entrepreneurship Centres (BREC). Department of Biotechnology shall set up 5 Regional centres or Mini-BIRACs in the next 5 years.

r)   Launching of Innovation Focused Programs for Students : In order to promote research and innovation among young students, the Government shall implement the following measures :

i) Innovation Core : Innovation Core program shall be initiated to target school kids with an outreach to 10 lakh innovations from 5 lakh schools. One lakh innovations would be targeted and the top 10,000 innovations would be provided prototyping support. Of these 10,000

TABLE 1
Startup Centers & Technology Business Incubators

Startup Centres		Technology Business Inclubators		
RGIIM Shillong	NIT Goa	MANIT Bhopal	IISER Bhopal	NIT Warangal
NIT Delhi	NIT Agartala	NIT Rourkela	IIM Rohtak	MNIT Jaipur
MNIT Allahabad	NIT Silchar	NIT Jalandhar	IIT Mandi	NIT Tiruchirappalli
VINT Nagpur	IIT Bhubaneswar	IIM Udaipur	IISER Mohali	IIT Patna
IIITDM Kancheepuram	NIT Patna	NIT Calicut	IIT Roorkee	
PDPM-IIITDM Jabalpur	NIT Arunachal Pradesh	IIT Ropar	IIM Kozhikode	
ABVIITM Gwalior		IISER Thiruvananthapuram	IIM Raipur	

Source : http://www.profitbooks.net/startup-india/

innovations, the best 100 would be shortlisted and showcased at the Annual Festival of Innovations in the Rashtrapati Bhavan.

ii) <u>NIDHI</u> : A Grand Challenge program ("National Initiative for Developing and Harnessing Innovations) shall be instituted through Innovation and Entrepreneurship Development Centres (IEDCs) to support and award INR 10 lakhs to 20 student innovations from IEDCs.

▪ Uchhattar Avishkar Yojana: A joint MHRD-DST scheme which has earmarked INR 250 crore per annum towards fostering "very high quality" research amongst IIT students. The funding towards this research will be 50% contribution from MHRD, 25% from DST and 25% from industry. This format has been devised to ensure that the research and funding gets utilized bearing in mind its relevance to the industry. Each project may amount to INR 5 crore only. This scheme will initially apply to IITs only

s)   Annual Incubator Grand Challenge : T h e Government is proposing to make forward looking investments towards building world class incubators. In its first phase, the aim is to establish 10 such incubators. To enable this, GoI shall identify and select 10 incubators who have the potential to become world class. These incubators would be given INR 10 crore each as financial assistance which may be used for ramping up the quality of service offerings.

The incubators shall also become reference models for other incubators aspiring to offer best-in-class services. Video interviews of these incubators would be showcased on the Startup India portal. An "Incubator Grand Challenge" exercise shall be carried out for identification of these incubators.

6.   OBJECTIVES OF START UP INDIA

a)   Privilege   the   Entrepreneur   : Entrepreneurs excite more than ideas. The partners and clients bring strong domain expertise and business lessons from previous entrepreneurial journeys. It has always been proved to be a learning experience to work with them, even in the process of co-creating business models.

b)   Match passion with process : This can be a big helpin matching the entrepreneur's energy and passion with process, plans and the discipline for executing ideas. Start Up India is more an execution, not ideas. It is a game changing process.

c)   Stay frugal, stay in the field : It will give an opportunity to work with investees in their fields. One gets a chance to immerse in the markets of the models, he has shaped. By being in the field, it will provide a 360-degree view of the eco-system of the ventures we create. This enables us to predict volatilities. We therefore launch ventures that are true to the DNA of our partners and the needs of the markets they serve.

d)   Literate   to   succeed   : It coachesits investees to listen to customers, re-iterate assumptions and stay focused on metrics. It constantly adapts business plans to keep them real and sharp. Our questioning of assumptions and reality checks at every turn minimizes trial and error. This ensures that ventures launch with a higher degree of success.

e)   Get the chemistry right : It tends to succeed more with entrepreneurs who are listeners, learners and collaborators. It works with social entrepreneurs who actively seek feedback and are open to applying them in their ventures.

f)   Cross   pollinate   : It   also   pollinates learning and connections between early-stage ventures (that we launch) and mature-stage models (that we accelerate). This opens up rich collaborations between the two. Its investees and clients constantly feed new information, networks and linkages into its own eco-system. This growing viral enables it to become better linkers and connectors for social entrepreneurs.

7.   RISKS AND CHALLENGES

There is a huge number of startups in the

world today along with a huge number of new startups launching every year rapidly by any standard. Now the question remains that how many startups tend to survive the violent waves of change that has completely transformed the very nature of today's startups.

We all have heard about the theory "Survival of the fittest". And we all also have heard the statement, "A smooth sea never makes good sailors." Both the things fit really well with the START UP ZONE. And this zone is a violent one. Start Ups give challenge to the old paradigm of reaching the customers and works towards the transformation of society, while making money. In fact It's a challenge in itself. One may face so many hurdles while working on this perception. Some of the biggest challenges being faced by small business startups are elaborated as follows:

a)   Fierce Competition : The corporate world is quite fierce. There is always a competition going on between the giants. Competition poses one of the biggest challenges for the survival of startup businesses. And if you have an online business startup, the competition gets tougher.The competitive environment keeps the startups on their toes, as there is no margin of error available. Both B2B and B2C organizations always tend to feel the heat of the fierce competition. In order to survive in this competitive business environment that covers both traditional and online businesses, the startups need to play aggressively, and punch above their weight to gain the much-needed recognition amongst the clusters of ever challenging and expanding businesses.

b)   Unrealistic Expectations : Success does not come alone. It brings expectations with it. Most of the times, these expectations seem realistic, but in the real sense of the word, are merely unrealistic. This same concept holds true for young startups.Startups tend to face challenges when they set 'unrealistic expectations' following a booming success. Remember, success is short-lived and expectations never end. This is where startups need to translate what the real expectations are? Sustainability is the name of the game. And sustainability requires consistent efforts.

In order to succeed in a competitive business world, startups need to have high but controlled expectations, keeping view of the resources available, the extent of growth potential, and other market factors as well.

c)   Hiring Suitable Candidates : One of the most important factors that define organizational culture within a startup company is the synergy of the team. A team comprises of individuals with similar capabilities and identical focus. In order to develop a highly successful team culture, organizations in general – and startups in particular – need to hire suitable candidates. There is a huge pool of aspiring individuals available. Selecting a suitable candidate that fits the job well enough is a peculiarly tricky task. It is one of the biggest challenges facing the startup businesses in this digital age.

d)   Partnership Decision Making : Partnership is the essence of success. And this logic holds true for startups as well. In this ever-expanding and ever-changing digital era, where organizations need to battle hard for their survival, startups also find it difficult to find trustworthy partners. It's really a big challenge for startups today. And as far as tech startups are concerned, stakes in partnership are much higher for them.

Going into a partnership pays great dividends for the startups, but they need to consider a variety of factors before making any decision to collaborate with another company working in the same ecosystem. To reap out maximum benefits out of a partnership, startup businesses should look for organizations that enjoy a sound presence within the market and a good reputation amongst the industry giants.

e)   Financial Management : Money begets money. Remember the fact that when income increases, the expenditures also increase. There

is no doubt about it. One of the biggest challenges that startups face today relates to financial management. It is a fact that small startups rely heavily on financial backups from the so-called investors. At times, when there is a cash influx, small firms, most importantly startups tend to find it really hard to properly manage their finances, and they bog down against the pressure. In order to address this kind of situation, startups need to play a safe and cautious hand, by keeping all the cards close to their chests. Taking help from a reputed financial consultancy firm may really help out in managing financial crises facing today's startup businesses.

f) **Cyber Security :** This is the digital age. And surviving the challenges in this age requires small startups – especially the ones operating online – to be super agile to counter the so called online security threats. Hackers are everywhere, and they are going to take advantage of any loophole within the systems installed within a startup firm.

The rate of cyber-crimes has increased dramatically during the past couple of years. The percentage is going to increase in the coming years as well. Startups that are active online do face online security threats. Be it unauthorized access to startup's sensitive information, employee records, bank accounts' information, or any other related information that is deemed important for the survival of a tech startup, they are at risk.

In order to safeguard the all-important online data, startups need to have robust and military-grade security systems in place. A virtual private network (VPN) connection serves the purpose of protecting a startup's information, and employee records, by offering the much-needed encryption and data security to the startup's employees, thereby restricting unauthorized access to organizational data over the web.

g) **Winning Trust of Customers :** Customer is the king. And that's absolutely right. Winning a customer's trust is one of the most important challenges that businesses in general – and startups in particular – face today. With a highly satisfied and loyal customer base, startups can scale and make progress towards excellence.Customers are the real force behind a startup's success. Their word-of-mouth power and their presence on social media can give tech startups an edge against all the traditional businesses.To win customers' trust and loyalty, startups need to work aggressively to implement a customer-centric working philosophy, so as to enable them to succeed in their pursuit of attaining the height sustainable growth and progress they desire to achieve in this tech-savvy and challenging business world.

h) **Fast-paced market :** Technology moves at an incredible speed, and keeping up with the changes can be a challenge for startups. One really needs to keep oneself updated and build a showcase into that future with new products that deliver truly new value. The companies have to have a strive for innovation to survive. They have to stay ultra-focused on the core of it.

8. **SUGGESTIONS TO FACE THE CHALLENGES AND TO OVERCOME THE RISKS**

a) **Think big :** Start by brainstorming a wide array of market opportunities, including the long shots, because this will help to expand possibilities and unearth hidden opportunities.

b) **Talk to every potential customer :** Go to trade shows and conferences. Connect with alumni. Start with the most immediate circle—family, friends, and neighbors. Focus on listening to their feedback and nonverbal communication.

c) **Don't limit yourself at the start :** You may have a preconceived idea of your market, but you may be wrong. Instead of telling a potential customer you want to create a social network for teachers, students, and parents to improve communication, tell them you want to improve education using technology. You may discover that education is your primary passion.

Or, if technology is your primary passion, don't limit yourself to the education industry.

d) **List potential industries :** Then list who might benefit from your idea in each industry. This will help to identify your end user—the ultimate customer who will buy and loyally use your product or service.

e) **List all potential end users and divide them into categories :** Using the education/technology example, define your end users. Teachers, administrators, parents, and students are all potential end users. But age, location, and subject can further subdivide each category. Identify the daily tasks of each group of end users and ask yourself why a particular end user would buy a product in a specific industry segment.

f) **Tackling the procurement :** It's always worth taking the extra time to do it right the first time and find suppliers that you can work with long term. To do so, make sure to ask all the questions necessary and get all agreements in writing. Also, find out what is important to your supplier and make that a priority. Relationship building will help make signing your first supplier agreement an exciting time rather than a nervous one.

g) **Dealing with cash-flow issues :** As you grow, there will be a point when the cash flow gets complicated and is often overlooked in favor of focusing on sales, business development and other tasks. When faced for the first time with a money flow issue, look for ways to simplify your processes. Ask yourself, what can be made more efficient? Or what is being done manually that cannot be done digitally? These questions will help you find ways to untangle your processes.

h) **Experiencing the first major business failure :** There can be a personal failure that impacts the company. It won't feel good or company morale may suffer. The best way to handle this situation and move past the setback quickly is with transparency and communication about how the company will overcome the problem. The key is to focus on the positive and move forward while addressing the immediate concerns of the staff.

i) **Taking the first step into global expansion :** Expanding a market is a huge milestone for any company, but it is also very challenging. The best way to tackle global expansion is to start as early as possible. Thorough research and careful planning are the keys to making global expansion a positive company milestone.

9. CONCLUSION

To start a business is not an easy task. It is quite complex, time-consuming and life altering process. No matter what industry you're in or what role you play, scary business milestones are part of the road for everyone. Business Finance, protection of business and personal assets, business legality, tax paying, record keeping, employee management and many more issues are there to worry about. But all these issues can be overcome easily, if we understand, what we are doing and how can we minimize the risk involved.

Starting our own business can be proved to be the best decision of our life, if we follow a few rules like being organized, keeping detailed records with us, analyzing our competitors, understanding the risks and rewards, showing some creativity, staying focused, making few sacrifices, when necessary, providing our best services to the customers and being consistent always.

Additionally, time spent talking to potential customers, discovering industry information, and brainstorming with end users will not only sharpen our business communications skills; it will paint a clear picture of our business's sweet spot. Because, as any successful entrepreneur knows, the first step in achieving success is to know what success looks like.

So, in order to face and tackle the so-called challenges of a violent business world, startups need to be resilient and focus on keeping their integrity in tact against all odds.

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