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Understanding startups ecosystem in Hyderabad: Challenges, and Issues

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Abstract

Arise of new Startups and creative innovations are significantly necessary for bringing foreign investment, creating wealth and providing jobs. With the increase of startups in the Hyderabad has taken high due to various schemes offered by Government of India to boost startup ecosystem, funding opportunities have increased as the new private firms are showing interest in investing in startups at the idea or prototype stage. Though there is an increase in the startups but there are still many issues which startups in Hyderabad are facing. Instead of encouragement and market potential still most of the early stage startups are failing in the first initial three years in Hyderabad. In order to understand these challenges and issues of startup entrepreneurs, this research paper has taken into consideration all the challenges. Faced by small and medium startups. Although startups are considered as driving force of building economic growth and encouraging innovation as they get new products, services in the market, introducing technologies to the entire world. However, startups are still facing challenges of survival and scaling up business for growth. Startups also impact existing established business. New businesses with less resources, winning these challenges is a daunting work. The main aim of this paper is to understand and identify the issues and challenges encountered by startup entrepreneurs in Hyderabad district.

These research insights serve as the guiding tool for the business owners, startup founders, stakeholders to understand the issues and challenges faced by entrepreneurs and plan accordingly to start their own business in advance and planning the risk in ahead and take necessary measures to achieve startup success and growth at very early stage.

Keywords: Startups, issues, challenges, innovation, new ventures and economic growth

Introduction

The Indian economy nowadays is becoming highly market-specified economy needs to focus on the entrepreneurial talent in a very large level. This requires that every talented individual either in self-employment or employed in companies have a quick access to resources. Apart from resources, the existence of facilities for an easy access to get in and exit from the multiple firms will be useful in building the entrepreneurs in the nation. Growth of competition and competitive environment by reducing non-valid rules and regulations will develop the spirit of innovation and entrepreneurship to do the business.

At this level nation requires a framework that can develop a huge circle of job opportunities and agriculture innovation at rural areas. Role of startups are very significant for the increase of economy and are important in shaping the standard of living in the country. New startups are essential to develop Atama Nirbhar Bharat, attracting new Opportunities, creating wealth, and generating job opportunities. Innovation, new startups are linked to each other as they develop job creation and economic growth. The various details of Initiative programs implemented by the Government to encourage new startups across the nation are as below:

- **Startup India Initiative:** For startup owners this initiative is very much beneficial and game changer for new establishments, which helps both in certifications and regulatory processes, till now this scheme has helped lot of new enterprises and created more than ₹1.5 lakh, it also increases startup visibility and helps them connects with mentors, investors and also customers suitable for them.

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- **Startup India Seed Fund Scheme (SISFS):** Early stage entrepreneurs who are facing struggle with finance can apply to this Government scheme which can provide assistance up to ₹10 crores through authorized incubators registered under startup India. To be eligible for scheme the startup has to be registered as a partnership entity or limited liability company but not as sole proprietorship, and must have a minimum viable product to get selected for this scheme.
- **Credit Guarantee Scheme for Startups (CGSS):** Under this scheme Government is encouraging collateral free loan up to 5 crores, provided the startup has registered as private limited company and has made turn over nearly 50 crores in the last financial year, this scheme provides more financial aid to entrepreneurs to purchase raw materials and working capital etc. which is provided through Central Bank of India.
- **Atal Innovation Mission (AIM):** The individual entrepreneurs who are working on innovative solutions in the area of health care agriculture or education for them this scheme suits well as the Government encourages with a grant of 10 crores to turn the idea in to product.
- **Software Technology Parks of India:** It provides tax exemption benefits, strong infrastructure motivation and support and incubation facility for ITES and IT startup firms that concentrates on export marketing. STPI NEXT is a new scheme that is exclusively tailored for startup firms working in domains like AI, Block chain AR/VR, and Analytics, IoT, making sure they have required resources to excel.
- **Pradhan Mantri Mudra Yojana:** Pradhan Mantri Yojana scheme is providing for various startups across nation collateral-free loans which are ranging starting from ₹50,000 to ₹10 lakh of rupees based on eligibility of MSMEs. Various large, micro and small enterprises across different sectors have profited from this scheme as they provide easy, flexible, repayment alternatives and huge subsidies on interest rate given without the need of any collateral.
- **Ebiz Portal:** Ebiz is a single national window channel that eases startup business daily operations with smooth registration and approval procedures. It provides many services like registration of firm, GST regulations, firm licenses, Government approvals and necessary clearances. With quick online tracking system and quick responses, it gives startup founders to incline on growing and enlarging their current business.
- **Dairy Processing and Infrastructure Development Fund (DIDF):** This scheme provides dairy new cooperatives, startup farmer-producing organizations, and also private firms with resources to buy required processing new equipment, build sufficient infrastructure and strongly build cold chain facility to grow operations and increase higher efficiency.
- **Startup Intellectual Property Protection Scheme (SIPPS):** This Government funding scheme SIPPS for startups in India enables to protect registered startups where the Government of India is protecting their ideas with valid patents, copyrights and trademarks by paying them back 50% of filing fees which is up to 5 lakhs.
- **Market Access Promotion Scheme (MAPS):** This Scheme enables the starts up to visit international trade, exhibitions and market shows and promote their exports

products so that they can increase their visibility in global market to attract new customers at international level This scheme helps the MSME's to show case themselves at international level.

Research Objectives

- To study the concept of Start-up Ecosystem in Hyderabad
- To identify the challenges and issues of Start-up Entrepreneurs in Hyderabad.
- To analyze the challenges and issues of Start-up Entrepreneurs in Hyderabad.
- To suggest measures to improve the performance of start-ups in Hyderabad.

Literature Review

M Jegadeeshwaran, S Kaleeshwari (August 2021) ^[1] dealt with startup which is a new vehicle to exploit new ideas, major issues like lack of funds, raising capital for running the business, budget efficiently allocation, pricing effectively, sales challenge like completion of vendor allocation, maintaining customer relationship to increase satisfaction, branding of the products and services and other issues like technological, infrastructure, social issues, improper team management.

Prof. Amit Angadi & Dr. SV Patil (October 2021) ^[2] emphasis on that startups are young, dynamic firms built on latest innovation and new technology and the research shows various challenges encountered by latest startups like no proper planning, sources of finances, legal regulations, sales and marketing and product promotion. In the article it is also focused that new startup are frequently failing in their proper planning as many of the company owners are inexperienced and are unwilling to learn at later stage this lead to improper availability of expertise who can guide and bring them out of the problems.

Gokul Prasath T, Supriya R, Dr. K Balanaga Gurunathan (May 2023) ^[3] focused on the issues encountered by new firms which has an important role in providing creativity and innovation, economic development and providing employment opportunities. and job creation. The article emphasis on evaluating the issues observed by startups with regards to finance, legal issues, uncertain market conditions, and very less market share. Data analysis identified that finance was the major challenge and providing supportive environment to do the business for collaboration, commitment.

K Rajani (May 2023) ^[4] made focus on the new opportunities and various challenges of startup and various Government schemes pertaining to start ups in India. Research data was totally collected using secondary sources based on books and websites related to entrepreneurial initiatives taken by and new Government initiatives such as Mudra Yojana, E-Biz portal and royalty tax that have helped start up for this which now awareness must be provided to take various benefits of the initiatives. The highest challenges they face is lack of funding, no required amount of knowledge about potential market, struggles in getting approval of Government permissions and licenses for revenue generation

Research Methodology

In this research, a well-designed questionnaire is used to identify issues, challenges of Start UP Entrepreneurs in

Hyderabad District. The primary data was collected from the respondents including Entrepreneurs of Hyderabad through a questionnaire prepared for a sample of 100 respondents by using the survey method. Secondary data was collected using the available literature, journals and internet search wherever necessary.

The collection of data for the proposed research study is done using both the sources of primary and secondary data

- **Purpose of Research:** The purpose of Research was to determine the issues and challenges of startup

entrepreneurs.

- **Sample size:** As the population is large, a sample of 100 respondents is collected from Hyderabad district, a random sampling method was used.
- **Research tools:** tools used for the study are descriptive statistics like mean, frequency percentage, Pie charts are used to represent the data pictorial.

Issues and Challenges

Startup Entrepreneurs often face a various unique issues and challenges that can stop their ability to succeed in business. Below are some of the key challenges:

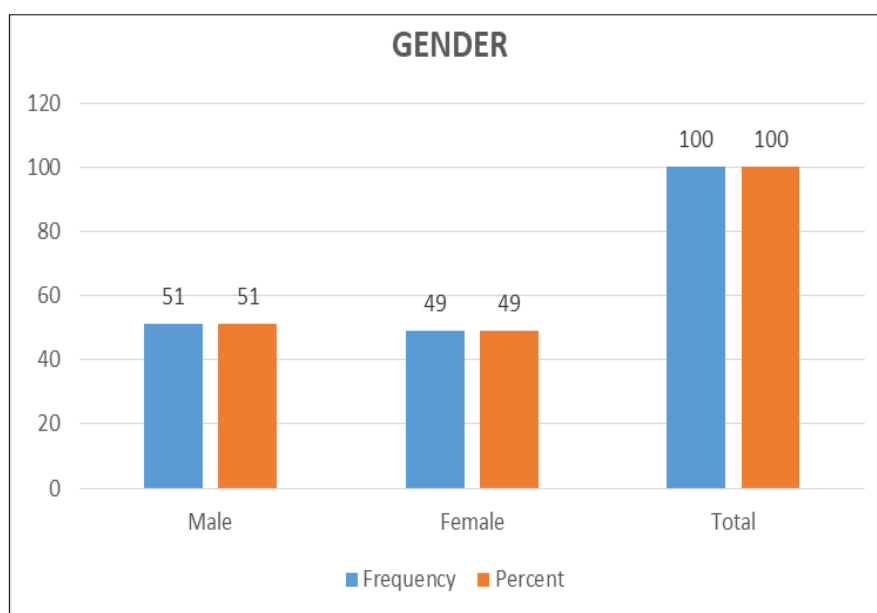
Key Points	Issues	Challenges
Access to Funding	Startup Entrepreneurs lack funds initially to start their business, especially women entrepreneurs face major challenges when compared to men because as they are more depended on their husbands to run their houses	Male dominated society, lack of required sources of finance.
Lack of Education	Improper skills and knowledge to start the business Conduct EDP & FDP.	Lack of education has been barrier in rural areas
Lack of Marketing / distribution channels	As a new startup it is important to create awareness in the market	Lack of marketing team leading to poor sales and proper location of marketing channels based on the area.
Lack of resources	Startups have less access to the networks of suppliers, raw-material and financial support that are essential for business success.	Technology crisis, poor understanding of market.
Government Policies	Many Start Up individuals are not aware of various schemes provided by government	Promotional activities and required training has to be provided.
Mentorship	Many Start Up Entrepreneurs lack knowledge to run and scale up the business	A senior mentor having required experience in the business has to be assigned to mentor the startup entrepreneurs.
Lack of Human Talent	People make or build the business, inefficient manpower	Results not been achieved, training and employee motivation are essential

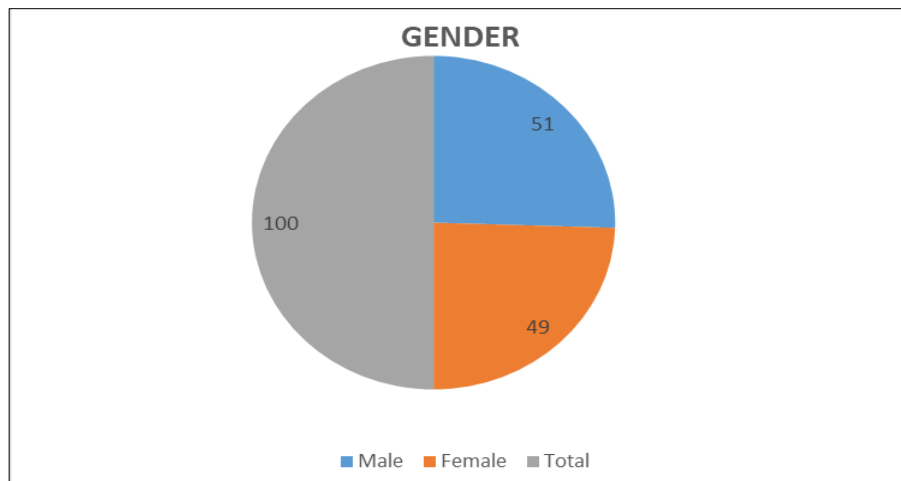
Data Analysis

Table 1: Frequency and percentage distribution of gender

Gender	Frequency	Percent
Male	51	51
Female	49	49
Total	100	100

Interpretation: The demographic analysis of Startup founders in Hyderabad District reveals gender distribution, with 51(51%) male and 49(49%) female participants.



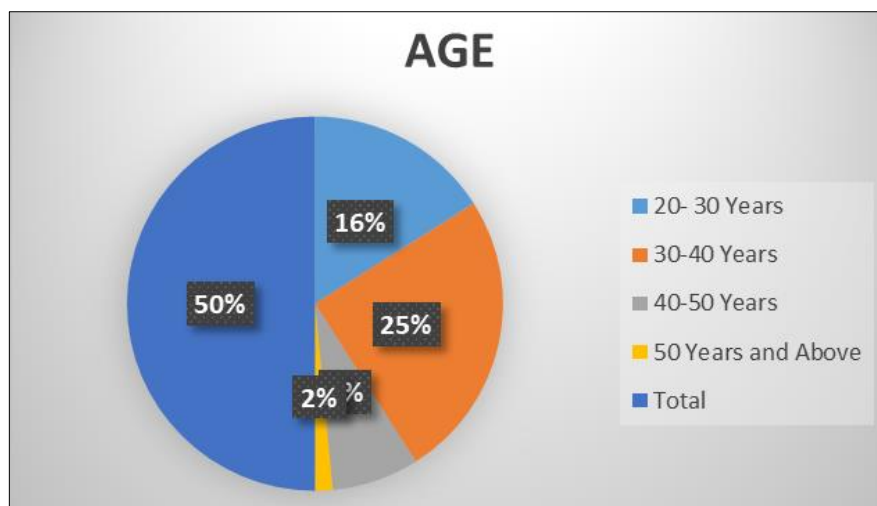
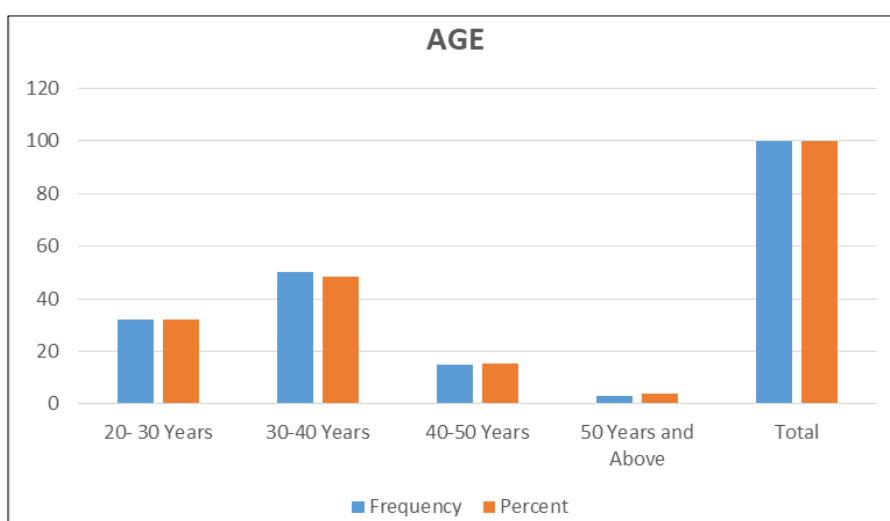
**Table 2:** Frequency and percentage distribution of age

Age	Frequency	Percent
20-30 Years	32	32
30-40 Years	50	48.5
40-50 Years	15	15.5
50 Years and Above	3	4
Total	100	100

Interpretation

The age distribution shows that selected founders 50 (48.5%) falls within the 30-40 years' age group, 32 (32.0%)

of founders are aged between 20-30 years, 15(15.5%) of founders are aged between 40-50 years and 3(4%) aged 50 and above.



Frequency and percentage distribution of issues and challenges faced by start-up entrepreneurs

What issues and challenges of Start Up Entrepreneurs	Frequency	Percent
Access to finance	62	60.2
Lack of Education	8	7.8
Lack of Marketing	19	18.4
Lack of resources	3	2.9
Government Policies	2	1.9
Mentorship	2	1.9
Lack of Human Talent	7	6.8
Total	103	100.0

Interpretation

The challenges faced by startups to scale up their business are varying based on the company requirements and industry challenges. The most significant challenge is access to finance, faced by 62 startups (60.2%). Other notable challenges faced by 19 startups lack of marketing (18.4%), lack of education by 8 start-ups (7.8%), and lack of human talent by 7 startups (6.8%). Some startups also face challenges related to lack of resources by 3 (2.9%), government policies by 2 (1.9%), and mentorship by 2 (1.9%).

Conclusion

Startup firms in India evidently play a major role in improving standard of living, creating job opportunities economy growth, market development which in turn provide sustainable economic increase and provide high level of employment opportunities in the market. New firms are very dynamic in nature and are required to reassess their business strategies to crack the new opportunities. Nevertheless, new firms are also facing new challenges in terms of automation, latest technologies like artificial intelligence and IOT. In various new many sectors, even those that were past to be believed as resistant to new technologies human talent is drastically replaced by new sophisticated robots in such cases traditional company models are not effective which leading new startups to face new rivals.

The Following measures are to be taken by the startups to overcome their challenges and to resolve the issues

- Entrepreneurs have to be educated on government policies and schemes available for startup entrepreneurs.
- They have to be orientated on funding provided to them in the form of loans by private banks, venture capitalist and angel investors.
- As most of the entrepreneurs are lacking marketing and digital skills to promote and reach to the customer, they have to attend EDP Programs conducted by MSME, NSIC and EDI organization to develop Marketing and digital skills.
- Startup entrepreneurs in Rangareddy district are lacking education because which they are unable to communicate effectively, understand customers, maintain CRM and deliver the product in such cases they have to enroll their business in ALEAP, BYST and CII Entrepreneurial association to continue to receive mentorship and support to run the business.

Future research

In this new area of digital and online business, entrepreneurship has opened to new bright future as long as

technology keeps on updating. It is forecasted that new emerging trends like IOT, AI, augmented reality, machine learning and green finance will further make the changes in the ecosystem of entrepreneurship. Startup Entrepreneurs have to be properly market segmented and well-positioned to grow in the new changing digital if they want to can embrace such developments, it is necessary to innovate quickly and acquire new trends.

Indian Startups are not at all an exception in case of how automation plays prominent role and machine learning and artificial intelligence are shaping how we make our beings and work in today's world. Future research can be done on the challenges and opportunities of digital entrepreneurship, industry wise and Product wise.

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