

THE STUDY ON EFFECT OF STARTUPS ON INDIAN ECONOMY

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ABSTRACT

The study investigates the significant impact of startups on the Indian economy, particularly their role in job creation, innovation, and investment attraction. Historically, Indian companies were predominantly government-controlled, but globalization and the "Startup India" initiative, launched in 2015, have opened opportunities for new ventures. Startups often begin with limited business models and capital, relying on founder funding, yet they contribute more to job creation than large-scale businesses and meet societal needs.

The study aims to analyse the benefits and challenges faced by startups and highlight successful examples in India. Benefits include flexibility, creativity, valuable networking, personal growth, and positive societal impact. However, startups also face high failure risks, compensation issues, market access difficulties, team composition challenges, limited resources, and stress.

Specific challenges such as marketing information gaps, funding difficulties, hiring the right personnel, and management issues are explored. Successful startups like MakeMyTrip, Flipkart, Zomato, redBus, Housing.com, Ola Cabs, and Teach for India are examined to illustrate how they overcame these challenges.

Overall, the study provides insights into the contributions and challenges of startups in India, offering valuable information for entrepreneurs, investors, and policymakers.

Keywords: Startups, Indian Economy, Job Creation, Innovation, Investment Attraction, Globalization, Startup India Initiative

1. INTRODUCTION

Most of the companies were controlled by government. After globalisation it has given opportunity to new comer to develop the economy of the country. In August, 2015 the honourable Prime Minister Sri Narendra Modi announced the launch of national flagship initiating startup India to promote and encourage young entrepreneurs of our country. Startups are companies or ventures centred around a single product or service that the founders aim to introduce to the market. These companies often do not have a fully developed business model and, more importantly, lack sufficient capital to progress to the next stage of business. Initially, most of these companies are funded by their founders. The role of startups in economy is huge in today's world. It creates the job opportunity to needed and talent people The global data shows that startups are creating more jobs in our nation compared to the large-scale business Startup company always concentrate on a single product or service. Many startups fulfil the society's need They also attract investors to invest in their companies.

Objectives of the study

1. To study the advantages and disadvantages experienced by startups.
2. To know the challenges faced by the startup company.
3. To understand the success stories in start-ups India

Advantages Experienced by Startups

1. **Flexibility and Freedom:** When you start your own business, you gain ownership and the ability to set your schedule. This allows you to dedicate your time as you see fit, fostering a work environment tailored to your productivity.
2. **Creativity:** As the founder, your startup is built on your ideas. This gives you the opportunity to bring your vision to life and innovate in ways that align with your personal and professional goals.
3. **Valuable Relationships:** Networking is crucial in the startup ecosystem. Building connections with other entrepreneurs, professionals, and founders can create a supportive community of motivated individuals who inspire and collaborate with you.
4. **Personal Growth:** The entrepreneurial journey involves overcoming various challenges, which fosters both professional and personal development. Each obstacle you navigate contributes to your growth and resilience.
5. **Positive Impact:** As a startup founder, you have the unique opportunity to make a meaningful difference in your community and the broader world. The nature of your business can lead to positive social, economic, and environmental impacts, providing a sense of fulfillment and purpose.

The disadvantages experienced by startups:

- **Risk:** Most of the startups fail within their first year of operations for various reasons. So the risk of failure is high.
- **Compensation:** Since companies are built by blood sweat and tears after long working hours, companies are not getting proper rewards. It could be taking many years.
- **Market access:** Without a customer base, startups notably struggle to understand the evolving market needs and preferences. Many businesses prefer to work with business they know and have worked with. And these puts startups at a serious disadvantage.
- **Team composition:** Some startups are born out of desperation since the founder could not find or hold onto a jaw. They struggled to build a team that the business needs to succeed. A startup venture requires founders, co-directors who complement each other in personality and competences.
- **Resources:** Growth hacking cloud computing and venture capitalism Have levelled the playing field for startups, but established business have deeper pockets Most startups operate on a shoestring budget while their competitors have huge financial and non-financial assets Those are used to support product development, sales and marketing efforts, and stop startups from entering the market.
- **Stress:** We did mention that working for a startup is fun, but it could turn out to be extremely stressful. Working long hours with a load of responsibilities for low compensation is bad enough. However, the situation becomes unbearable when dealing with unqualified colleagues, disorganized processes, irate customers, and the looming threat of business failure.

2. CHALLENGES FACED BY STARTUPS

1. **Lack of Information on Marketing:** In India, each state has its unique culture, food, customs, language, and attire. Therefore, a comprehensive understanding of the region, insightful needs assessment, and a practical market survey are crucial before venturing into the complex landscape of startups.
2. **Funding:** Securing funding is a significant challenge for most startups. It requires individual financial stability, adherence to numerous compliances, understanding the business size, building associations, and finding the ideal time to attract investment.
3. **Appointment of the Right Person to the Right Job:** Hiring the right person for each specific role, from entry-level positions to top management, is a challenging task for entrepreneurs.
4. **Management:** As the business begins to take shape, it demands constant vigilance to sustain its momentum. From the outset, having a clear plan is essential to avoid any inconsistencies in cash flow, which can quickly escalate and become unmanageable.

3. SUCCESS STORIES IN START-UPS INDIA

- **Make My Trip:** Brainchild of Deep Kalra, an IIM Ahmedabad alumnus, make My trip as revolutionised the travel industry over the years. It was originally launched in the us. Market in 2000 to cater the needs of NRIs for their Indo -American trips it launched its operations in India in 2005 starting with flight tickets. After a few years, my company was listed on NASDAQ. The following year, we made three acquisitions, gaining worldwide recognition and receiving numerous awards.
- **Flipkart:** No one would be a stranger to this one! A few years ago, Flipkart achieved tremendous success by leveraging its first-mover advantage in the Indian online market. Founded by Sachin and Binny Bansal, both IIT-D alumni with prior experience at Amazon, they introduced a similar concept to the Indian market. Starting with books in 2007, Flipkart has since expanded its offerings to include a wide range of products such as personal care items, jewelry, CDs, and stationery. It acquired Myntra for around INR 2000 crore.

According to the Wall Street Journal and Dow Jones VentureSource report published on Thursday, Flipkart.com has joined the ranks of the top five global billion-dollar startups, with a valuation of \$11 billion.

- **Zomato:** Launched in 2000 and 8 Zomato hasn't been anything less of a sensation. It covers over 331200 Restaurants in 19 countries started as Foodiebay.com, in two years. It was recognized as one of the most promising internet companies in India within the next two years. It went on to get international recognition. Deepinder Goyal and Pankaj Chaddah , the Co-founders always wanted to create their own path, a path With its own obstacles. Zomato add no funding initially their growth was excruciatingly slow. However, tables turn very soon and it made Zomato what it is now.
- **redBus:** Started in 2006, redBus has grown phenomenally over the past few years. An online bus ticket booking and hotel booking site These startups achieved success for its innovating idea of making bus ticket booking easier for the common man. Phanindra, Sudhakar, and Charan, budding entrepreneurs from BITS Pilani, initiated this

idea when Phanindra was unable to go home for Diwali due to a lack of bus tickets. All of them were working for reputed MNCs says at that time. Starting redBus.in was a significant risk for them. That risk, however. Paid off and the rest as they say, is history.

- **Housing.com:** A Mumbai based real estate search engine, Housing. com was co-founded by twelve IIT-B graduates with the aim of introducing transparency into the real estate market. What is commendable about Housing .com is the exponential rate at which it has grown. It was just founded two years ago, and the response they have got is amazing. Despite many hurdles Housing.com managed to achieve enormous success. It has raised four rounds of funding since its founding is 2012.
- **Ola cabs:** Would have thought that a few years back that booking caps would be so much easier? Thanks to Ola Cabs, the cost of traveling in a cab is now lower than that of traveling in an auto rickshaw. Bhavesh Agarwal and Ankit Bhati who co-founded Ola Cabs were IIT-B graduates who were working in MNCs before going on the uncertain part of entrepreneurship. This idea was formed after a weekend trip on a rented car had gone bad for a Bhavesh. He aimed to bring greater transparency and convenience to consumers in this sector. Last year in October, Ola Cabs has raised around \$210 million at the valuation of nearly \$1 billion With this, it has joined the league of the most valued startups in the country.
- **Teach for India:** A nonprofit organisation under the teach for all global movement, teach for India works towards ensuring excellent education for all children. Founded by Shaheen Mistry in 2017, TFI Exist because of a dear belief that every child can and must attain an excellent education. For the same, TFI As a fellowship, wherein it recruits college graduates and young professionals to serve as Full time teachers in low-income schools for two years., Today, teach for India is present in such cities and have 910 fellows and 660 alumni working towards eliminating educational inequity.

The study on the impact of startups on the Indian economy reveals just how transformative these young ventures have been in reshaping the nation's economic landscape. Startups are not just businesses; they are engines of growth, creating jobs, sparking innovation, and drawing in vital investments. They've become essential to India's progress, contributing in ways that go beyond mere numbers.

However, the journey of startups isn't without its hurdles. The research highlights both the exciting possibilities and the tough realities these ventures face. Startups bring flexibility, creativity, and the potential to make a real difference in society, but they also deal with significant risks, limited resources, and challenges in accessing markets.

By looking at the success stories of companies like Flipkart, Zomato, and Ola Cabs, the study offers valuable lessons for those dreaming of starting their own ventures. These examples show that with determination and smart strategies, it's possible to overcome obstacles and achieve remarkable success. The "Startup India" initiative, introduced in 2015, has been a game-changer, offering the support needed for these businesses to flourish in today's globalized world.

4. CONCLUSION

In conclusion, startups are vital to India's economic growth and innovation, but the path is often challenging. This study provides crucial insights for entrepreneurs, investors, and policymakers, emphasizing the importance of thoughtful planning, strong management, and a commitment to continuous innovation to thrive in the competitive world of startups.

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