

Factors Responsible for the Success of Indian Startups: An Empirical Study

Dr. Rahul Raj

Department of Commerce, Graphic Era Hill University, Dehradun, Uttarakhand, India 248002

Abstract:

Recent years have seen a considerable increase in startups in India, which has been linked to a number of factors. The country's increasing population of young, tech-savvy people who are eager to innovate and found new firms is one of the most significant causes. A supportive atmosphere for entrepreneurs has also been greatly aided by the government's support of startups through programs like Startup India and Make in India. The growth of digital technology and the expansion of internet access, which has made it possible for startups to reach a larger audience and grow the businesses more quickly, are two more important factors. Additionally, the emergence of venture capitalists and angel investors in the Indian startup ecosystem has given early-stage businesses access to the necessary funding and mentoring. The enormous and diverse consumer base of India, which offers a ready market for innovative goods and services, can also be credited with the success of Indian entrepreneurs. Entrepreneurs may now share information, resources, and ideas because of startup collaboration and networking, which is fostered by gatherings like startup conferences and incubators. Despite the obstacles that Indian startups must overcome, such as bureaucratic red tape and a lack of infrastructure in some areas, the ecosystem's success so far offers a positive outlook for the future of entrepreneurship in the nation.

Keywords: Innovation, Adaptability, Funding, Networking, Customer Centricity.

Introduction:

In recent years, India has emerged as one of the most promising locations for entrepreneurs. India's startup ecosystem has been expanding quickly, as evidenced by a sharp rise in the number of firms and a considerable rise in venture capital investments. A number of variables, including a supportive regulatory framework, a growing middle class with rising purchasing power, a youthful and competent workforce, the spread of technology and digital infrastructure, and more, can be credited with the success of Indian entrepreneurs. The government's measures to encourage entrepreneurship and innovation are one of the main drivers fueling the growth of Indian startups. To offer financial and regulatory support to businesses, the Indian government has developed a number of schemes and programs, including Startup India, Make in India, and Digital India. The 2016-launched Startup India programme seeks to develop a supportive startup environment by offering money, tax breaks, and other advantages to entrepreneurs. A programme called Make in India, which aims to promote manufacturing in the country, has also helped the number of manufacturing-related businesses increase. The goal of Digital India is to encourage the use of digital infrastructure and technology, which has fueled the expansion of startups in the technology and e-commerce industries (Krishna, et al. 2016). The country's expanding middle class is another element contributing to the success of Indian entrepreneurs. According to a McKinsey & Company research, India's middle class would increase to 583 million individuals by 2025. Startups in industries like e-commerce, finance, and healthcare have expanded as a result of the increasing middle class's greater purchasing power and increased willingness to spend on products and services. A significant contributor to the success of startups is India's young and competent labor population. With a median age of 29 years, India has one of the largest pools of young talent in the world. Additionally, the nation has a sizable population of management and engineering graduates who are growing more eager to launch own companies. This has stimulated the development of startups in industries including technology, e-commerce, and education (Joshi, K., & Satyanarayana, K. 2014). Another element influencing the expansion of Indian startups is the development of technology and digital infrastructure. With millions of internet users in India, the country has seen a significant increase in internet penetration in recent years. Due to this, there is now a sizable market for startups in the technology and e-commerce industries. The emergence of startups in industries has been facilitated by the government's programme, which has also made substantial contributions to encouraging the adoption of digital infrastructure and technology. Another element that contributes to the success of Indian companies is the availability of venture capital funding. Indian businesses now have access to significantly more venture capital investment than they did previously. Recently, Indian startups garnered \$9.3 billion in funding overall, according to a NASSCOM report. As a result, startups now have access to the funding needed to grow the operations and the businesses (Suresh, J., & Ramraj,

R. 2012). In addition to these elements, the tenacity and entrepreneurial spirit of Indian businesspeople have facilitated the growth of startups in the nation. The ability of Indian businesspeople to innovate and adjust to shifting market conditions is well-known. Due to this, it is able to establish lucrative businesses in a variety of fields, including healthcare and e-commerce. The proliferation of technology and digital infrastructure, a young and skilled labor force, the availability of venture capital funding, the entrepreneurial spirit and tenacity of Indian entrepreneurs are a few of the factors that can be linked to the success of Indian startups. These elements have produced a favorable climate for entrepreneurs to flourish and have established India as a significant player in the global startup ecosystem.

Literature Review:

India has become a significant center for new firms during the last few decades. There has been a dramatic increase in the number of startups in the nation, and several have found extraordinary success. The main driving forces behind the success of Indian startups are the factors which are responsible for the success of Indian Startups.

Government Support and Access to funding - The support offered by the government is one of the key elements that has led to the success of Indian entrepreneurs. The Indian government has recently implemented various initiatives to support startups and foster entrepreneurship. The government's efforts in this area are clearly demonstrated by the 2016 launch of the "Startup India" project. Startups can take use of this initiative's numerous advantages, including tax breaks, investment, and mentoring. A \$1.5 billion fund has also been established by the government to aid local startups. Another important factor that has greatly influenced the development of startups is the abundance of highly qualified and educated workers in India. Every year, a sizable number of engineers, management graduates, and other skilled workers are produced in the nation. This group of gifted people has assisted local startups in creating cutting-edge technologies and ground-breaking business concepts. Additionally, the availability of a skilled workforce has made it simpler for startups to find talented people at a lower price. Any startup's ability to obtain funding is essential to success, and Indian startups have not been an exception to this rule. The amount of money available to the startup ecosystem in India has greatly increased recently. Startups in India have attracted the attention of venture capitalists, angel investors, and other funding sources. In addition, the Indian government has established many funds to aid the nation's entrepreneurs. The availability of finance has aided startups in India in expanding the businesses, creating new goods and services, and breaking into new markets (**Santisteban, J., & Mauricio, D. 2017**).

Business Models- With a population of more than a billion, India is among the countries with the largest markets worldwide. Indian companies have a distinct advantage. India's startup ecosystem may make use of this sizable market to test the offerings, make money, and expand. Scalability is among the most crucial components of a successful business plan for Indian companies. A company concept that can scale quickly to serve a wide customer base is essential for success in India because of its vast market and enormous population. Due to the capacity to scale quickly and effectively, businesses in India that leverage technology to offer services like online marketplaces or digital payment platforms, for instance, have seen great success. Innovation in business models is a crucial component of the success of Indian entrepreneurs. Due to the significant value-consciousness of Indian consumers, startups that provide creative and distinctive goods or services at lower prices or with more convenience are more likely to succeed. This is demonstrated by the success of businesses like Ola, which in India disrupted the old taxi sector by providing a ride-hailing service that was both more convenient and more reasonably priced. The success of Indian entrepreneurs can be attributed to the several avant-garde business concepts that have been created. For instance, a large number of entrepreneurs in India have created business plans that address the requirements of low-income groups. Such firms have created products and services that are accessible and inexpensive, addressing the needs of disadvantaged demographic groups. Additionally, Indian startups have used technology to create innovative business models that are upending established sectors (**Awais Ahmad Tipu, S., & Manzoor Arain, F. 2011**)

Technology Infrastructure and Market Potential- In recent years, India's technological infrastructure has undergone a substantial upgrade. Startups have been able to use these technologies to scale the operations. It has also become simpler for companies to set up and manage their IT. The term "market potential" refers to the potential size of a market, which can be calculated using variables like the target population's size, spending power, and demand for goods and services. Because of its sizable and expanding middle class, India has a considerable market potential. The middle class is expanding, which has led to an increase in demand for a variety of products and services, including consumer goods,

healthcare, education, and technology. Additionally, the country now has a thriving startup ecosystem because of the Indian government's initiatives to support innovation and entrepreneurship. Consumer spending is predicted to increase as a result of factors like increased incomes, urbanization, and a rising youth population. For companies wishing to expand into new areas, India's huge and expanding market potential presents a considerable opportunity. The complex legal framework, infrastructure issues, and cultural differences are just a few of the difficulties that enterprises must be aware of when entering the Indian market. But with the right strategy and approach, companies can capitalize on the opportunities presented by India's expanding middle class and burgeoning startup ecosystem (**Satar, M. S., & John, S. 2016**).

Entrepreneurial Culture- The growing number of startups and young entrepreneurs in India is evidence of the country's thriving entrepreneurial culture. Since the beginning of time, when traders and merchants had to travel great distances to start the businesses, the nation has had a strong tradition of entrepreneurship. India has recently developed as a hotbed for entrepreneurs, and the country's entrepreneurial culture has rapidly expanded. The sizeable and diversified population of India is one of the primary elements influencing its entrepreneurial culture. India is home to billion people, the majority of whom are youthful and technologically aware. Due to this, there has been an increase in the usage of technology, social media, and mobile devices, creating an ideal environment for startups to flourish. The availability of capital is a vital element that has influenced India's business culture. Indian entrepreneurs now have access to the financing needed to launch the enterprises because of the rise of venture capital firms and angel investors. This has inspired many would-be business owners to take the plunge and launch own enterprises. In recent years, India's culture has undergone a tremendous shift in favor of entrepreneurship. Indians have typically sought stable government employment or positions with well-known businesses. But there has been a shift towards entrepreneurship with the emergence of prosperous startups and the backing of the government (**Baluku, et al. 2016**)

Objective

To ascertain the factors responsible for the success of Indian startups

Methodology

This study is descriptive in nature in which the data were obtained from the 219 respondents involved in business from various industries and experience levels. The major business areas covered in the study were Banking and Financial Services, IT and ITES, Retail Management, Transportation, Tour and Travel. A checklist question was used to analyse and interpret the data. In a checklist question respondents choose “Yes” or “No” for all the questions.

Data Analysis and Interpretations

Table 1 Factors Responsible for the Success of Indian Startups

SL No.	Factors Responsible for the Success of Indian Startups	Yes	% Yes	No	% No	Total
1	The Indian government has introduced various initiatives and policies to support the growth of startups.	191	87.21	28	12.79	219
2	The availability of funding from angel investors and venture capitalists has helped startups in India to scale up their operations.	171	78.08	48	21.92	219
3	India has a large and growing domestic market with a huge middle-class population, making it an attractive destination for startups.	205	93.61	14	6.39	219

4	India has a vast pool of skilled talent who are willing to work for startups.	183	83.56	36	16.44	219
5	Indian startups have been at the forefront of innovation and technology, leveraging emerging technologies.	179	81.74	40	18.26	219
6	The entrepreneurial ecosystem in India is vibrant, with a supportive community of mentors, advisors, and incubators.	174	79.45	45	20.55	219
7	India's cultural diversity has enabled startups to develop solutions that cater to diverse customer needs and preferences.	187	85.39	32	14.61	219
8	Lower salaries and rent have enabled startups to operate at a lower cost.	198	90.41	21	9.59	219

Table 1 analyzes the factors responsible for the success of Indian startups. It was found that around 93.6% respondents accept that India has a large and growing domestic market with a huge middle-class population, making it an attractive destination for startups, lower salaries and rent have enabled startups to operate at a lower cost (90.4%), the Indian government has introduced various initiatives and policies to support the growth of startups (87.2%), India's cultural diversity has enabled startups to develop solutions that cater to diverse customer needs and preferences (85.3%), Indian startups have been at the forefront of innovation and technology, leveraging emerging technologies (81.7%), India has a vast pool of skilled talent who are willing to work for startups (83.5%), the entrepreneurial ecosystem in India is vibrant, with a supportive community of mentors, advisors, and incubators (79.4%) and the availability of funding from angel investors and venture capitalists has helped startups in India to scale up their operations (78.0%).

Conclusion:

A variety of variables have aided Indian companies to success. One of the main reasons why Indian startups have been successful is the support given by the government, the availability of a qualified workforce, access to finance, a robust local market, and innovative business strategies. A complex legal environment, a lack of infrastructure, and the requirement for greater research and development are just a few of the difficulties that startups in India must contend with. However, there is hope for Indian startups, and it is likely that the nation will remain a significant hub for innovation and entrepreneurship. E-commerce and the development of digital technology have given entrepreneurs new ways to connect with consumers and markets, allowing them to grow quickly and widen their appeal. Due to this, new company models have also emerged, including platform-based companies and online marketplaces, which are challenging established markets and opening up fresh opportunities for entrepreneurs. The success of Indian startups can be ascribed to a number of factors, including the development of digital technology, accessible trained labor, and favorable government policy. It is possible that we will witness even more innovation and progress in the years to come as India's startup ecosystem continues to develop and mature

References:

1. Krishna, A., Agrawal, A., & Choudhary, A. (2016, December). Predicting the outcome of startups: less failure, more success. In 2016 IEEE 16th International Conference on Data Mining Workshops (ICDMW) (pp. 798-805). IEEE.
2. Joshi, K., & Satyanarayana, K. (2014). What ecosystem factors impact the growth of high-tech start-ups in India?. *Asian Journal of Innovation and Policy*, 3(2), 216-244.
3. Suresh, J., & Ramraj, R. (2012). Entrepreneurial ecosystem: Case study on the influence of environmental factors on entrepreneurial success. *European Journal of Business and Management*, 4(16), 95-101.

4. Dossani, R., & Kenney, M. (2009). Service provision for the global economy: the evolving Indian experience. *Review of policy research*, 26(1-2), 77-104.
5. Santisteban, J., & Mauricio, D. (2017). Systematic literature review of critical success factors of information technology startups. *Academy of Entrepreneurship Journal*, 23(2), 1-23.
6. Best, M. L., & Kumar, R. (2008). Sustainability failures of rural telecenters: Challenges from the sustainable access in rural india (sari) project.
7. Koe Hwee Nga, J., & Shamuganathan, G. (2010). The influence of personality traits and demographic factors on social entrepreneurship start up intentions. *Journal of business ethics*, 95, 259-282.
8. Satar, M. S., & John, S. (2016). A conceptual model of critical success factors for Indian social enterprises. *World Journal of Entrepreneurship, Management and Sustainable Development*.
9. Robb, A. M., & Fairlie, R. W. (2009). Determinants of business success: an examination of Asian-owned businesses in the USA. *Journal of Population Economics*, 22(4), 827-858.
10. Olugbola, S. A. (2017). Exploring entrepreneurial readiness of youth and startup success components: Entrepreneurship training as a moderator. *Journal of innovation & Knowledge*, 2(3), 155-171.
11. Siaw, C. L., & Rani, N. S. A. (2012). A critical review on the regulatory and legislation challenges faced by halal start-up SMEs food manufacturers in Malaysia. *Procedia-Social and Behavioral Sciences*, 57, 541-548.
12. Baluku, M. M., Kikooma, J. F., & Kibanja, G. M. (2016). Does personality of owners of micro enterprises matter for the relationship between startup capital and entrepreneurial success?.
13. Awais Ahmad Tipu, S., & Manzoor Arain, F. (2011). Managing success factors in entrepreneurial ventures: a behavioral approach. *International Journal of Entrepreneurial Behavior & Research*, 17(5), 534-560.