

Startups in Uttar Pradesh: Opportunities and Challenges

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Abstract

Startup, which is a relatively new concept in the field of entrepreneurship, has acquired utmost attention in government policies not only in India but worldwide also. They are considered growth drivers for the economy in recent times, helpful in large scale employment generation and sustainable development of the economy. Uttar Pradesh, the state with highest population, has also been working aggressively for the development of a conducive ecosystem for startups. The paper aims to study the startup ecosystem in Uttar Pradesh along with discussing the opportunities and challenges faced by them.

Keywords: Startup, Uttar Pradesh, Opportunities, Challenges.

Introduction

Startup is a relatively new concept in the field of entrepreneurship. Startups have gained increased importance worldwide and have also received topmost attention in India. The Startups are considered to be a major contributor in the socioeconomic development and transformation of the economy. In India, the number of startups are on a rise since the government has left no stone unturned to promote them. They can act as a catalyst in generating large scale employment opportunities and bringing about sustainable development. Startups will enable youth to become job creators instead of job seekers and hence contribute in availing the benefit of demographic dividend of the country. India has emerged as the third largest tech startup hub globally (NASSCOM 2015). The state of Uttar Pradesh, with its large demography, possesses huge potential of entrepreneurial skills of youths which can be tapped by promoting startups and thus can contribute in the economic development and self-reliance of the state and the country. In 2018 the centre has anointed UP as 'Inspiring Leader' in the national startup rankings (Business Standard, 9th July 2020) On the basis of various parameters related to the promotion of startup culture the centre ranks various states of the country periodically.

A startup can be defined as an enterprise having a unique and innovative idea of business, working towards its application and development. According to the department of Promotion of Industry and Internal Trade (19 Feb 2019) "An entity shall be considered as a startup

1. Upto a period of 10 Yrs. from the date of incorporation/registration.
2. Turnover of the entity for any of the financial year since incorporation/registration has not exceeded Rs 100 Crore.
3. Entity is working towards innovation, development or improvement of products or processes or services or if it is a scalable business model with a high potential of employment generation or wealth creation.

Provided that an entity formed by splitting up or reconstruction of existing business shall not be considered as a startup".

Objective of the study

The objective of the paper is to study the startup ecosystem in Uttar Pradesh. An attempt will be made to discuss the UP Startup Policy 2020, elucidate the opportunities available and analyse the challenges faced by startups. Suggestions regarding the upliftment of the startup ecosystem in the state will be provided which will facilitate a positive environment for the startups.

Review of literature

Evolution of startup India has discussed the definition of startups, startup ecosystem in India and features of Startup India program. Goel(2018) in her work has discussed some challenges and issues faced by startups like social and cultural issues, financial issues, policy issues, technology issues etc. Opportunities for startups and challenges faced by them in India are discussed by Kamaldeep(2017). Sabrina Korreck(2019) has presented a study of the Indian Startup Ecosystem. She has brought about the drivers, challenges and supporting factors for startups in India. Chokhani (2017) in his paper has discussed various challenges such as lack of skilled talent, uncertainty of

Shelly Shrivastava
Associate Professor,
Dept of Economics,
Govt. P.G College,
Noida, Uttar Pradesh,
India

employment, capital constraints, etc. Mittal(2014) regarded culture, mentoring, policies, hiring and funding as the main challenges for Indian startups but at the same time mentioned the opportunities available for them. StartUp Success Stories has presented the stories of some successful startups of Uttar Pradesh. Besides presenting the profile of the startup, it discusses their aim, challenges faced and process of how they establish their business. The present study will aim to study various factors related to startups in Uttar Pradesh.

Startups in India

To promote the innovative and entrepreneurial skills of the youth by facilitating a strong and conducive startup ecosystem, the government of India under the guidance of Honourable Prime Minister Shri Narendra Modi has launched 'Startup India' program on 16th January 2016. The objective of the program is to minimize the fallacies in information and make it available by connecting the stakeholders through a common platform, easy provision of various facilities and assistance to promote startups and to create awareness and motivate the budding regional entrepreneurs in shaping their innovative ideas into successful business ventures. The Startup India program provides several facilities, exemptions and benefits spanning in the area of funding, laws, regulations, tax exemption, fiscal and infrastructural support thereby creating a conducive ecosystem which will nurture startups to grow and outshine in their respective fields.

The 'Startup India' program has achieved appreciable success in the last 5 years with startups having base in 623 districts. All states and UTs in India have at least one start up. To promote and support startups at all stages, 30 states and UTs have their indigenous startup policy. A fund of funds scheme of 10,000 Cr. and Startup India seed fund scheme with an outlay of 945 Cr. have been launched to increase the opportunities for financial assistance to startups, a main challenge in their success. As per DPIII 743 startups were recognised in 2016-17 which has witnessed an exponential increase to over 16,000 in 2020-21. This jump in the number of startups has been highly instrumental in job creation with 48,093 startups providing 549,842 jobs. Job creation of 1.7 lakhs has been witnessed in the period of 2020-21 alone (Evolution of startup India). Along with the Startup India program various other programs launched by the Government of India such as Make in India, Digital India, SETU fund, Mudra Yojna have been supportive in providing a conducive environment for the growth of startups.

Startups in Uttar Pradesh and UP Startup policy 2020

The Startup India program also aims at developing entrepreneurial skills and promoting startups at regional level. The metro cities provide better facilities than tier 2 and tier 3 cities to startups. To harness the unexpected potential of youths of smaller cities, the program engages the state government to achieve the target.

Marching towards achieving this intention of the Central Government the Government of Uttar Pradesh has worked rigorously in promoting startups and providing a culture and supportive ecosystem for the growth of startups. This has resulted in placing UP among the top three startup congenial states in India (Business Standard, 14th Oct. 2020)

The Govt of Uttar Pradesh has launched the UP Startup fund and introduced Startup policy 2020 to ease the barriers in the entry and growth of startups. UP Startup fund of Rs 1000 Cr. was launched on May 20, 2020 when Govt issued first instalment of 15 Crore to small industries development bank of India which will manage the fund (The Economic Times, May 20, 2020). Along with this fund, a UP angel Network was also established to handhold the green business venture and benefit them through financial assistance.

The next major step by UP government, to create a conducive environment and ecosystem to nurture the startups, was UP Startup policy 2020. Prior to this UP IT and Startup policy 2017 was formulated which was instilling and nourishing the startup culture and entrepreneurship in UP. There was no comprehensive and independent startup policy and moreover this policy mainly targeted the IT sector and other areas were neglected. The new policy of 2020 will specifically cater the needs of startups and encourage them in the diverse arena of agriculture, medical, education, tourism, IT, energy, khadi etc. (Business

Standard, Oct 14, 2020). The policy is aiming to set up 10000 startups, 100 incubators, & 150000 direct and indirect employment and self-employment opportunities across the 75 districts of the entire state. Special preference is given to startups in the backward region of Purvanchal and Bundelkhand. The Government of the state has decided to focus on the education about entrepreneurship so that the youth is not hesitant of setting up a new business venture and is skilled in dealing with the matter related to the establishment and promotion of it. Emphasis is given to ease the approval and certification process and provide quick and ready finance facilities so that the entrepreneurship skills and potential of youth are successfully channelised towards the establishment and growth of startups, generation of mass employment and hence the economic growth of the state and country.

The policy also targets to establish the largest incubation hub in Lucknow. These incubators will develop the management skills through training and will also ensure other facilities and support to develop startups. The new policy has laid special emphasis on courses related to entrepreneurship and innovation development in colleges and universities. Provision of one year study leave for internship and allowance of Rs 2500/- per month has been made for final year graduate and post graduate students to promote entrepreneurship among them (Inc.42, 9th July 2020). The new startup policy will work for a period of 5 years.

The new UP startup policy 2020 has attained remarkable success. There has been an unprecedented increase in the number of startups from 200 in 2017 to 3406 in 2021, an increase of about 1700%. The new startups are established specially in the field of information technology, health, education, public services, agriculture, textile having base in about 73 districts of the state. The number of startups established in three major cities i.e., Noida, Ghaziabad, Lucknow are 1154, 533, and 500 respectively. 18 incubators are working towards providing assistance, support and knowledge to help startups establish their venture. Startups in the state have been instrumental in generating employment as well with 10000 people getting direct employment and 12000 people indirect employment (The Times of India, Jan 3, 2021)

Opportunities

Though the state of UP has worked rigorously in promoting the startup culture and establishment of startups, this growth can all the more be intensified as the state possesses huge potential for their success. Some of the opportunities which ensure that state can excel in this field are as follows: -

Large Market Size

According to the 2011 census, Uttar Pradesh has a population of 20.08 Cr. The large size of population ensures a large market potential for the startups. Moreover, as per 2001 census 52.10% of the population was in the age group of 15 – 60 yrs. and 40.83% of the population was in the age group of 0-15 yrs. We can infer from the above data that in 2021 a large part of the population lies in the young age group who aspire for a high standard of living, have many ambitions and the ability to fulfil them, thus, contributing in the creation of demand and increased consumption.

Huge potential for creation of Startups

The large size of population in UP along with a high percentage of working age group ensure a huge potential for creation of startups. The young population has a high-risk taking attitude and an inclination towards innovation which serves as a base for establishment of startups. By honing the entrepreneurial skills of the youth, the Government of UP can channelise their potential towards setting up of startups.

Education hub

Several cities in UP have developed as educational hubs such as Varanasi, Lucknow, Noida, Prayagraj, Agra, Gorakhpur etc. These cities can serve as a base to develop entrepreneurial skills among youth by starting different courses and training related to setting up startups. The Government of UP in its Startup policy 2020 has acknowledged this and has emphasised the need of starting courses of entrepreneurship and innovation development in higher education institutes. There are many famous universities and technological institutes which can provide talented youth for the startups.

Diversity	From rural to urban areas, eastern part to western part, the state of UP has large geographical and cultural diversity which provides it an edge over other states in establishing and successfully running startups in various products and areas. Choosing a right product or service as per the need of their local area and people, with a smaller target area, can be more successful and hence sustainable. Being a large state, each area has different problems and needs which creates an opportunity for startups to address these problems with some innovative ideas.
Government Support	Government support and assistance are essential to develop any new beginning. A conducive ecosystem is indispensable for the growth of startups. The government of Uttar Pradesh has recognised this need and launched the 'Startup policy 2020' which has made provisions for financial assistance, incubators, management training, innovation and entrepreneurship development courses etc. Various norms and regulations to start an enterprise have been relaxed. These measures have resulted in a 1700% increase in startups between 2017 to 2020. (The Times of India, Jan 3, 2021)
Tech City Noida	Noida has developed as an industrial city especially for the IT sector. It can serve as a base for tech startups since it has all the infrastructure necessary for the concerned sector.
Digital Connectivity	Increased digital connectivity can be a key contributor in the development of startups. According to a report of Telecom Regulatory Authority of India there are over 1160 million wireless subscribers in India in Feb. 2020, a rise of 150 million subscribers in the past 5 years. The government of UP is also gearing up for the digitalization of the state by working on providing internet connectivity to all the villages along with the urban areas. More than 31149 gram panchayats are linked through an optical fibre network. (The Pioneer, 21 Sept., 2021). This will increase online access, thus helping people in availing various services and products online and making digital payments. It can help in providing a bigger market with less investment.
Challenges	All the above opportunities can attract young entrepreneurs to establish their startup in Uttar Pradesh. However, there are few challenges that need to be addressed in order to accelerate the growth of these new ventures. The main challenges are: -
To develop trust	As per Prateek B Singh, founder of shopping cart, the biggest challenge that every startup faces is to build a trust factor among vendors and customers (Startup success stories, Aug.25, 2017). Most startups are started by young entrepreneurs who do not have any business credentials in the market. Hence, it is very difficult for them to convince vendors and customers to sell and purchase products through them.
Funding constraints	Making arrangements for working capital is one of the biggest challenges that startups are facing. Though many startups are bootstrapped in the initial stage and many arrange for their working capital through their business but there are many startups which need capital. Even the existing startups, too, need working capital at the stage of expansion. Though the Uttar Pradesh government has set up a 1000 crore startup fund with the help of SIDBI and UP angel network, the effects of these funds are yet to be seen.
Lack of Business Knowledge and experience	Most startups are run by young graduates from colleges who don't have knowledge and experience of running a business. There are not many vocational courses at college level which can prepare the youth to run their own enterprise. Due to lack of capital, they are unable to hire experienced professionals. The workforce they hire are generally fresh graduates. They possess theoretical knowledge and are not suitably skilled as per the need of the industry. All these factors act as hurdles in successfully overcoming the problems faced by startups, time to time.

Lack of incubation facility

In India, business incubators are organisations that support startups in establishing and expanding their business and improving their chances of success by providing assistance and different services. Incubators are highly helpful in nurturing startups at the initial stage. At present there are only 18 incubators in UP in 75 districts (Business standard 14th Oct,2020). Hence it is very difficult for startups to avail the services of incubators and survive in the initial stage of establishment.

Lack of Mentorship

Lack of business skills and knowledge makes it necessary for startup founders to seek professional advice, support and guidance from mentors to make business successful. Experienced and qualified professionals from the field can provide valuable suggestions regarding establishment, expansion, marketing, funding and many other businesses know how to do the startups. India lacks mentoring services and conditions in UP are the same. Moreover, only a few districts in the state can be categorised as industrial and hence the large part of the state lacks professional advice and assistance.

Time taking government Policies

There was no comprehensive startup policy in UP before 2020 and startups were governed under the UP Information Technology and Startup policy 2017 which majorly promoted the IT sector and did not cater other sectors. However, under the Startup policy 2020 all sectors are given equal importance and facilities are provided to all. But there are still many challenges which need to be addressed such as time taking process of project clearance, stringent rules and regulations to fulfil, difficulty in availing government facilities, lack of awareness regarding government policies etc.

Lack of appropriate work force

The startup needs a skilled and talented workforce for its success. However, the lack of financial resources acts as the main hurdle in hiring skilled professionals. On the other hand, the new entrants in the industry are not skilled enough to meet the requirements. The UP government has made arrangements for various courses, internship, study leave to promote entrepreneurship among youths in its startup policy(Inc.42, 9th July 2020). This will take a few years to prepare a skilled workforce.

Suggestions

UP has an edge over other states in establishing itself as the startup hub of the country due to its large geographical and demographic advantage. However, certain areas need reform to provide a congenial environment for the development of the startups. Though UP startup policy 2020 has addressed several issues still some steps can be taken to boost the process. Expert committee of experienced professionals can be set up in each district to provide advice to startups regarding the problems faced by them. This committee can have experts from different states and startup founders dealing with similar issues. Moreover, startups should be advised to target slow expansion with realistic expectations instead of making plans for quick expansion. Keeping in mind the specific needs and situation of the state, the startup policy should be formulated such that it addresses various areas and sectors. One district one product program can contribute to establishing startups related to one particular product in a specific area and addressing their similar needs easily and quickly through a single window. Timely decision and quick clearance of the project requires utmost attention to motivate the entrepreneurs. Separate e-market places for startups should be established to promote the sale of the goods without much expenditure. Concessions and promotions can be provided to them. Government must give priority to the products of startups in their purchase. Though the problem of capital, faced by most startups, has been dealt with in the UP Startup policy 2020, it should be ensured that financial assistance is provided to the right person at the right time. Incubation facilities should be increased and they should be made easily available to the entrepreneurs. In order to increase the knowledge and expertise of the youth regarding the establishment and functioning of the startups, courses must be introduced from school level so that specialisation and training can be provided at higher education level. Vocational courses should be introduced at school and college level to prepare skilled workforce.

Conclusion

Uttar Pradesh is targeting to rank among the top three startup conducive states of India in order to promote entrepreneurship, employment opportunities and sustainable economic growth in the state. UP startup policy 2020 has been a welcome step in this direction and positive changes are noticed in the business environment. However, this policy should be effectively implemented and measures should be taken to address the remaining areas of concern to provide a congenial environment for startup development and their future journey.

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