



IPO A LONG DRAWN CHALLENGES FOR START-UPS

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ABSTRACT

Every entrepreneur dreamed of taking his/her new business public and making it a multinational powerhouse. An IPO was seen as a fool proof method of raising capital from the market, while also offering great dividends and windfalls. However, things have changed a lot in recent years. Very few start-ups are going public today. Granted, some IPO deals may work for retail investors, but the odds of that happening are stacked against start-ups. A lot of entrepreneurs of this generation avoid this option like the plague. This study tries to identify the various challenges faced by start-ups in the Indian business ecosystem. However, India's start-up ecosystem continues to develop at a rapid pace, the exit options for risk capital investors, who have poured in billions of dollars backing home-grown ventures, remain bleak.

Keywords: Startups challenges, Startups exit, Ecosystem, challenges

INTRODUCTION

In the old days, every entrepreneur dreamed of someday taking their startup public, and making it a multi-national powerhouse. Today the rate of startups going public (IPO – Initial Public Offering) is at an all-time low, and most entrepreneurs avoid this option like the plague, knowing the process is painful, and public company executives are seen as greedy sharks.

According to Ernst & Young report, the number of startups that have gone public in the US over the past decade is down about 75% from the previous decade, to about 10% of startup exits. Today, eight times as many successful startups are acquired, as compared to the number attempting to go public. In developing countries, like China and India, the statistics are reversed.

Several industry experts have attributed this to a young population of India. About 40 percent of India's population is under the age 35 years. A few of the youth in India are aspiring to become entrepreneurs for making India a potential 'Startup Nation'. While several startups are mushrooming across India's cities and towns, their success rate is still less than 10 percent.

In the words of Elon Musk, the mastermind behind Tesla, "Failure is an option here. If things are not failing, you are not innovating enough."

The reasons could be many for failures. But after dealing with a few hundred startups across India (including evaluation, advise and consulting), one can realize that many most startups fail in their earliest stages, which also call it as a "valley of death".

Despite of all challenges, India remains a start-up nation rank third globally in the number of start-ups. This study tries to recognize the various challenges faced by start-ups in the Indian business ecosystem and also to investigate the area of improvement for running business successfully.

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