

Why 2023 Can Be A Difficult Year For Indian Start-ups: Things To Remember

As the industry progresses into 2023, Indian startups are anticipating challenging times. According to a report by Bain & Company, late-stage start-ups will experience more flat or down rounds in the coming days as investors now focus on profitability while pinching their pennies.

The report adds that some sectors of the industry might also see an increase in mergers and acquisitions (M&As).

In the midst of a global slowdown, venture capital deal value decreased last year, from \$38.5 billion to \$25.7 billion, following a stellar year in 2021. Investors are expected to reevaluate their portfolios and save money this year as well, given the difficult funding environment.

The India Venture Capital Report 2023 says that this could result in consolidation, particularly in the fintech and B2B e-commerce (house of brands) industries. It is also anticipated that tech startups initial public offerings (IPOs) will remain muted throughout the year.

Overall, the market still has a lot of dry powder, so raising capital is not difficult; It's the distribution. According to Abhishek Agarwal, Founder and Managing Partner of Rockstud Capital, an alternative asset management firm, "Investors will back businesses that are positive at gross contribution level, and start-ups will push for that.

" In general, it will be a "mixed year." I really do anticipate a few losses, however organizations that are productive or have inborn capacities to be productive will acquire financial backer certainty," he adds.

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Here are a few reasons why 2023 can be a challenging year for Indian start-ups

1. Financing

One of the most important challenges that every business must overcome in order to survive is obtaining funds. Even if you saved some money to start a business, it won't help you last longer. Consistent income is vital for organizations to persevere, and you generally need to have additional assets to deal with stormy days.

You want to guarantee you have a good-to-go business methodology early, which comprises assets put away for the direst outcome imaginable. Keep in mind that you will have limited access to funds when you first start a business, giving you less room for error.

2. Lack of Planning

The number of startups that fail because they "forgot" to plan is impressive. Or maybe they did plan, but they didn't cover everything. Sales, development, and funding are important areas that are not left out.

They must all be included in your business plan from the beginning. In addition, you must prepare for important occurrences that you cannot anticipate. That is, you need to know what you will do when, not if, events take an unexpected turn, even if you cannot plan for every possibility.

3. Hiring the right person

Finding the right people with the right skills is essential for your business's survival and growth. It could be the deciding factor in how well your start-up grows if you know exactly what skills you need and how to get those important people on board. It costs money to delay hiring the best employees. The hiring process takes a significant amount of time for a small group, time that could be used in other areas of the business. On the other hand, not having the right people can cause severe bottlenecks and also delay the introduction of new products or services. This is one of the problems that no new business can afford, especially in its early stages.

4. Effective marketing with a limited budget

Some startups believe they can completely ignore marketing strategies and rely on word-of-mouth. Being visible to your customers is crucial for a new business. You should use cost-effective marketing strategies to reach your intended audiences.

However it's a mistaken assumption to put your trust in clients finding you except if you make an aggregate drive to develop them with an appropriately organized methodology to advance your beginning up.

5. Uncertainty and self-doubt

For first-time entrepreneurs, coping with the venture's uncertainties can be challenging. Entrepreneurs may frequently feel ultimately accountable for their businesses' success or failure. Numerous detours and deviations from the initial plan are also present. The entrepreneur may suffer as a result of all of this.

Changes should be accepted without much resistance in the VUCA environment that the majority of new businesses operate in. Keep your cool and stick to your plan as an entrepreneur.

6. How to respond to criticism

As an entrepreneur, dealing with criticism is a part of the job. The team, partners, investors, customers, and even the entrepreneur's family can criticize any decision they make. This must be dealt with by everyone, including established businessmen like Ratan Tata. When it comes to accepting criticism, the most important thing is to distinguish the useless comments from those that can be of real value.

You can even ask follow-up questions to help you better understand the criticism after you have assessed its validity. You might even gain appreciation for this or gain insight that is useful to you.

7. Attractive Clients

Getting people to buy your product or service can mean the difference between success and failure for a company. Although many businesses started out with great ideas, they were unable to survive because they were unable to reach the right customers. Social media and search engine optimization (SEO) have proven to be the most effective methods for most businesses to reach the right customers. The entrepreneur should take the time to learn about the expectations of the customers and, if necessary, use their network to reach them.

8. Making Decisions

Making decisions in a business setting can be intimidating, especially when there are so many factors at play. When making a decision, entrepreneurs may find themselves in a predicament, particularly if they have limited information.

Additionally, entrepreneurs must avoid becoming overly involved in decision-making, which could result in a delay that could impede progress. They can delegate the smaller decisions to their expert group and ask them to come up with alternatives before weighing them and making a decision.

9. Using time productively

Indeed, even the best business visionaries battle to appropriately deal with their time. They may have trouble completing tasks as they assume responsibilities that are outside of their area of expertise.

In order to move the business process along, entrepreneurs frequently face difficulties when they must reconcile competing priorities and let go of their perfectionist tendencies. Here, setting goals and making schedules can save your life. They only need to ensure that their smaller goals align with the larger ones and your company's vision.

10. Office Infrastructure

When you start thinking about ways to cut costs, especially if you're just starting out, the first thing you should look at is your workplace rent and the costs that go along with it. When compared to commercial office space, moving into a shared coworking space in Noida, Gurgaon, or South Delhi will save you approximately 32% in rent.

Coworking spaces let entrepreneurs and start-ups work in a fully furnished office without having to worry about setting up their own private offices. Coworking is the best way to operate in a workplace with minimal financial investment, which is a significant advantage. You can run your business for less money than if you set up shop in a new office by working in a coworking space.

Summary

Startups in India are expecting challenging times as the industry moves into 2023. As per a report by Bain and Company, late-stage new businesses will encounter all the more level or down adjusts before very long as financial backers currently center around benefit while squeezing their pennies.

The report adds that mergers and acquisitions (M&As) may also increase in some industry sectors.

After a stellar year in 2021, venture capital deal value decreased last year, from \$38.5 billion to \$25.7 billion, in the midst of a global slowdown. Given the difficult funding environment, investors are expected to reevaluate their portfolios and save money this year as well.

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