



# CHALLENGES FACED BY STARTUP ENTREPRENEURS - A REVIEW STUDY

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## ABSTRACT

*Startups give birth to innovative ideas, which immensely contribute for finding answers to many unsought problems of the society. Despite of huge efforts of the government, startups are encountering issues such as lack of financial support, unavailability of marketing opportunities, digital illiteracy, competition, etc. Unemployment is the major issue of the country it can be only tackled by addressing the challenges faced by startup entrepreneurs. This paper focused on the studies done so far and effort has made to discuss the challenges confronted by startup entrepreneurs.*

**KEYWORDS:** *Startups, Encountering issues, Government.*

## INTRODUCTION

A startup venture could be defined as a new business that is in the initial stages of operation, beginning to grow and is typically financed by an individual or small group of individuals. Entrepreneurs are the individuals who undertake a new business venture, risk and reward are borne by entrepreneur himself. In this startup era government is doing maximum efforts to encourage entrepreneurs through monetary and non-monetary benefits. Although government is supporting startup entrepreneurs still there are numerous bottlenecks exist, some are controllable and others are uncontrollable in the hands of entrepreneurs therefore identification of those issues could be the first step. Lack of infrastructure, improper mentoring, and unavailability of angel investors, inadequate market and technical knowledge and many other issues are discussed in the articles reviewed below.

## OBJECTIVES OF THE STUDY

1. To analyze the challenges faced by the startup entrepreneurs in India.

## RESEARCH METHODOLOGY

The respective study is based on secondary data collected from research articles, thesis and books. The method of research used is descriptive research method.

## REVIEW OF LITERATURES

**M.Jegadeeshwaran,S.Kaleeshwari (2021)** this paper certainly deals with startup India action plan and other schemes like MUDRA, ATAL INNOVATION MISSION etc and their role in supporting startups. Researcher highlighted the challenges of startups. As per DPIIT (department of promotion of industry and internal trade) in India Maharashtra state has highest number of startups and 3783 and Karnataka ranks second with 2938 DPIIT recognized startups.

**Dr. Sujata Chincholkar (2021)** In her paper titled 'Bottleneck to success: scaling up issues of start-ups' studied about many start-ups encounter major setbacks at the scaling up stage. Her qualitative study examines the problems encountered by start-up companies while scaling up the business. The results show that non-availability of financial resources, acquisition of right talent and acceptance of the product are some of the major challenges faced by the start-ups while scaling up by developing a model.

**Mohan Kumar (2021)** has done a research paper on 'Startups, Barriers and its Opportunities in India' His study reveals that there are a lot of barriers for the startups that need to be worked on such as towards. Like, lack of technical education, no transparency of government funding scheme. The government will have to open such private intermediary centers which will



work under the supervision of the government and they will be rated according to their work. These private intermediary centers will help all those startups who want to take advantage of the government scheme but do not know-how. Therefore, the government should need to lots of taking care of startups so that startups can run at full speed and contribute to the Indian economy.

**Dr. Walter D'souza (2021)** published a research article on the topic of startups titled 'Indian start ups – issues, challenges and opportunities.' The paper discussed few issues and challenges that an Indian startup has to face and the opportunities that the country can provide in the current eco system.

**Arana Kausar & Md.Aziz Ahmed (2020)** in their paper titled "a study on Financial Literacy creating sustainable startups in the Indian context ,discussed on case studies of failure of startups in India due to financial illiteracy ,financial insufficiencies, no market requirements of products or services and concluded that there is abig need for financial literacy among the entrepreneurs. Poor financial literacy will drive inventors away, and will put entrepreneurs at the risk of getting failure. Each investment must be evaluated for its returns, for this knowledge of financial management is indispensable .we need sustainable startups for better products and job creation for economic growth.

**Srinivas Subbarao Pasumarti & Anubhab Patnaik (2020)** in their research paper analyzed the different problems faced by entrepreneurs. Major startup entrepreneurs encounter obstacles in finding and allocating of right resources which are basic need of any enterprise. the paper attempts to highlight the challenges faced by entrepreneurs of SME sector such as difficulty in choosing the right resources ,finding needed resources which are completely new and not available anywhere ,lack of training and research and development and also time and funding for development of needed resources etc..are the obstacles leads to close down or shift to alternate business ideas .the paper finally concludes that large number of startups face difficulty in development not only in the early stage of inception but also in their advance stages too. Some problems can be passed through proper planning and strategy but others need government intervention and new reforms .it is the duty of the startup entrepreneur to check all probable ways to solve the problem in advance and specially try for alternative solutions.

**Trilok Kumar Jain (2019)** in his paper titled 'Policy initiatives for startups: the India story' explores the case study on startup initiatives in India. Researcher views language barrier is the most concerned issue among entrepreneurs. Youth has inferiority complex towards speaking English, only those who knows better English and read English well are getting benefits of policy initiatives.

**Dr.G Sureshababu and Dr.K Sridevi (2018)** in their research paper titled 'A study on issues and challenges of startups in

India" highlighted about startup scenario, ecosystem, issues, challenges and opportunities for startups in India.

**Ganesaraman Kalyanasundaram (2018)** in his research paper 'Why do startups fail- a case study based on empirical analysis in Bangalore' explored the real case studies how they leads to take towards failure and precautions to be taken by new entrepreneurs.

**Sarika Sharma, Mrinal Raj, Tanya Gandhi (2018)** in their research paper titled 'Challenges and issues faced by startup companies in India' describes the startups financing cycle and the journey of Indian startups. Entrepreneurs are facing marketing, financial, and other challenges although government is hardly trying for ease of doing business.

**Mohammed Habeebuddin, D. Sakriya (2017)** in their paper titled 'Startups in India-issues and challenges' discussed the various challenges and issues of startups which hinders on growth. This paper deals with secondary data and focused on opportunities available for Indian entrepreneurs like large population, demographic dividend etc.

## MAJOR CHALLENGES FACED BY ENTREPRENEURS

Financial challenges:

**1. Collateral issues:-** startup firms face problem of procuring loan ,main reason for this is they lack security as those are formed with less initial capital.

**2. Delay in loan processing:-** Rigid formalities of sanctioning loan leads to delay in working of startups.

Marketing challenges:

**1. Lack of market research:** - research about the market to understand the segments and micro and macro environment is necessary for succeed in competition.

**2. Pilot testing:** - testing the product or service in selected small portion of the target market is better before commercialization.

**3. Peer competition:** - competition from rival firms is a big challenge for survival and growth of the startups.

Other challenges:

**1. Tax burden:** - startups which are recognized under the startups India scheme only gets tax holiday for 3 years but after that they need to pay tax.

**2. Technology up gradation:-** continuous changes in technology need more funds its difficult For startups to indulge continuous improvements.

**3. Change in tastes and preferences:-** macro economic factors like changes in tastes and preferences of customers ,demand for substitutes impact on firms.

**4. Inflation rates and bank rates :-** increase inflation rates can impact o heavy interest rates for procuring loans by the startups.



**6. Regulations:-** huge legal formalities makes the procedures delay and leads to interest loss for the firms.

**7. Finding suitable employees:-** human resources is scares ,so recruiting and selecting right person for the right job plays vital role.

## CONCLUSIONS

Entrepreneurs are getting benefits through schemes like startup India ,stand up India, Atmanirbhar bharat, Atal mission, Mudra schemes ,but these benefits are not reaching all entrepreneurs because of lack of knowledge .these above said articles mainly focus on problems like financial resources, lack of mentorship , regulations, infrastructure problems etc . remedies for these issues also been discussed such as Forming of agencies by the government to mentor startup entrepreneurs ,conducting workshops for digital know-how, effective supervision of banking aid to entrepreneurs. Despite of all these issues the Indian ecosystem has ranked 3<sup>rd</sup> in whole world and it indicates in near future India will achieve rapid growth in GDP and hence economy of the country develops gradually.

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