



Navigating Financial Demands and Barriers for Startup Industries in India

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Abstract

India's startup ecosystem has witnessed remarkable growth over the past decade, fostering innovation and economic progress. However, amidst this dynamic landscape, startup industries face numerous financial demands and barriers that influence their success. This study delves into the multifaceted challenges confronted by startups in India and explores the various financial hurdles they encounter during their journey from inception to maturity. Drawing on comprehensive research and analysis, this study highlights the key financial demands faced by startups, such as capital acquisition, operational expenses, and scaling-up investments. Additionally, the research identifies and examines the primary barriers that hamper their financial growth, including limited access to funding, regulatory complexities, and market uncertainties. The study also proposes actionable strategies and best practices to navigate these financial challenges, emphasizing the role of government policies, venture capital, angel investors, and fintech solutions in fostering a conducive financial environment for startup industries in India. By addressing these financial constraints, policymakers, investors, and entrepreneurs can collaboratively fortify the Indian startup ecosystem, accelerating its growth and unleashing its full potential as an engine of economic development.

INTRODUCTION

The concept of development includes growth and the progressive changes in the economy. The changes contain the uplift of the economy both in resources as well as welfare of society. Along with growth in income, development is associated with changes in the structure of dynamic economy. These changes transform major aspects of these economies such as production capacity, national income, and pattern of employment and composition of trade. Productive capacity expands also to encompass institutional setup of the country experiencing growth. In fact while increase in the physical capital provides withdrawal for institutional setup. The increase in human capital provides knowledge and employees for growth promoting



institutions. These institutions spell many activities like collection and disbursement of savings, preparation of blueprints for productive Investments, organisation of labour resources etc.

It is for the simple reason that most of the economy's growth is because of increase in industrial output. Industries are subject to higher productivity increases due to such factors as the operation of increasing returns.

The transformation of the economy induces permanent changes in the living standard of the people. Please take the form of higher standard of consumption and reducing the income inequalities. The highest per capita income is a guarantee of a high savings rate, and as a result of a high investment rate.

Another component of capitalist of a country is human capital. It helps in increasing the production and more importantly, it is essential for the development of innovative technologies. Apart from highly educated and trained employees, it is also very important that knowledge and skill level of people are raised. This strengthens the base of the economy, which helps in increasing the growth rate as well as it increase the efficiency and quality of products.

The Indian economy which is increasingly becoming a market oriented economy needs to emphasize on the entrepreneurial ability in a large scale. This requires that every talented individual either in self-employment or employed in companies and firms have an easy access to resources. Apart from resources, the presence of facilities for an easy entry and exit from the various businesses will help in nourishing the entrepreneur in country. Promotion of a competitive environment by reducing unnecessary rules and regulations will enhance the spirit of the entrepreneur for doing their business.

To make the technological up-gradation a generalized phenomena, rather than a selective one in all the three sectors; primary, secondary and the tertiary sector have to be modernized. In many cases the traditional Technologies have to be replaced all together by new technologies. More importantly, facilities have to be created to ensure a continuous stream of superior Technologies to flow from the research institutions. Efforts have also to be made to adopt the foreign Technologies. To an extent the transfer of latest technologies can be secured through foreign direct investment by the most advanced countries. All this is possible if more research and Technology centres are opened, and more scientific workers are educated and trained. This requires large funds largely by the government. Private sector needs to be given incentives through tax concession, resource for research and development, etc.



CONCEPTUAL FRAMEWORK OF STARTUP INDUSTRIES

The creation of the country's wealth depends largely on its The Frenchmen in early years were referred to as enterprises. Entrepreneurship is the tendency of a person to organise the business of his own and to run it profitably, using various traits like leadership, decision making, innovation, managerial skills etc. Entrepreneurship is a continuous economic process which recognises the need to change and an entrepreneur is a key person to initiate any change. India has had a very strong history and heritage of innovation. With the rise in knowledge-intensified services in India the salience of Entrepreneurship has been intensified. The entrepreneurs who are not associated with traditional business communication have also begun to emerge in good number. A change has become the rule of game in today's business environment; the entrepreneur needs to continuously keep the organisation upgraded with the changing time. This task is not easy as it not only involves availability of funds for introducing changes but also human resources adaptability towards the change and environment.

Those who are willing to take risks are the ones who can put ideas into practice and seize opportunities. Most startup founders in India have strong intrinsic motivations and report being driven by their passion, curiosity, satisfaction that comes from problem solving, and desire to make a difference in society. Many Indian founders have previously worked at a corporate environment, but despite the stability in those jobs and the benefits of high salaries and other perks, they perceived those jobs as constraining to their creativity.

Start-ups have been recent trend in economy over the last few years in Indian market. This has resulted into emergence of big firms across the country. Start-ups are the entrepreneurial ventures describing newly emerged firms which are in the initial stage of its operations where entrepreneurs convert their ideas into operations or trading by laying down the basic structure of the business. It is designed to rapidly develop business model.

A startup company, or simply a startup, is an entrepreneurial venture in its early stages of operations typically aimed at resolving a real life issue with an innovative product or service. These ventures are typically small in nature, new, and funded by either to founding entrepreneur or a group of investors who believe in the founder or company concept.

GENESIS OF STARTUP INDUSTRIES IN INDIA

Startup India campaign is an effective action plan which has intent to promote bank The genesis of startup industries in India can be traced back to the early 2000s when the Indian



government launched several initiatives to promote entrepreneurship and innovation. The government recognized that the development of a vibrant startup ecosystem was critical for promoting economic growth and creating jobs. One of the key initiatives launched by the Indian government was the establishment of the National Entrepreneurship Network (NEN) in 2003. The NEN was designed to provide support to entrepreneurs and promote the development of a supportive ecosystem for startups. It offered mentorship, networking opportunities, and access to funding and resources to budding entrepreneurs. Another critical initiative was the launch of the Technology Business Incubator (TBI) program in 2007. The TBI program aimed to support technology-based startups by providing them with incubation facilities, mentorship, and access to funding. In 2010, the Indian government launched the Startup India campaign, which aimed to create a conducive environment for startups by offering them tax incentives, funding, and support for innovation. The campaign also included the establishment of a startup fund and a credit guarantee scheme for startups. The Indian startup ecosystem has also been supported by the growth of the IT industry in the country. The availability of skilled IT professionals and low-cost infrastructure has made India an attractive destination for startups looking to develop technology-based solutions. The advent of mobile technology and the internet has also played a significant role in the growth of the startup industry in India. With the increasing penetration of smartphones and affordable internet access, startups have been able to reach a broader audience and scale their businesses quickly. However, the real boom in the startup ecosystem in India came in the early 2000s with the advent of the internet and the rise of e-commerce. The rapid proliferation of internet access and mobile technology in India, coupled with the increasing availability of venture capital and angel funding, has helped to create an environment where startups can thrive. The Indian government has also played a significant role in promoting startup culture in the country. The launch of the "Startup India" initiative in 2016 aimed to create a conducive ecosystem for startups to grow and thrive by providing tax breaks, easier compliance regulations, and funding support.

SIGNIFICANCE OF THE STUDY

The study of financial requirements and challenges for startup industries in India is significant for several reasons:



Promoting Startup Ecosystem: Startups are critical to the growth and development of the Indian economy. By understanding their financial requirements and challenges, policymakers and investors can develop targeted support mechanisms that can promote the growth of startups and foster a more conducive ecosystem for them.

Addressing Funding Gap: One of the most significant challenges faced by startups in India is access to capital. The study can help identify the funding gap that exists in the startup ecosystem and suggest ways to bridge the gap. It can also help identify the most effective funding mechanisms for startups, which can help investors make better investment decisions.

Improving Financial Management: Effective financial management is crucial for the success of startups. By understanding the financial management challenges faced by startups, policymakers and investors can develop support mechanisms that can help startups manage their finances effectively, balance short-term needs with long-term goals, and achieve sustainable growth.

Streamlining Regulatory Frameworks: Startups in India often face complex regulatory frameworks, which can be challenging to navigate, especially for early-stage startups. The study can help policymakers identify the regulatory challenges faced by startups and suggest ways to streamline regulatory frameworks, making them more efficient and effective.

Encouraging Innovation: Startups are often at the forefront of technological innovation, and the study can help identify areas where startups require funding and support to drive innovation. By supporting innovation in startups, policymakers and investors can promote economic growth and create new opportunities in the economy.

Challenges Faced by Indian Startups

Indian startups face several challenges that can hinder their growth and success. One of the primary obstacles is the complex regulatory environment in the country. Navigating through various legal and bureaucratic hurdles can be time-consuming and expensive for startups, often leading to delays in launching products or services. Access to funding is another significant challenge for Indian startups. While the country has witnessed a surge in venture capital and angel investments in recent years, the competition for funding remains fierce. Startups often struggle to attract investors, especially in sectors that are relatively unproven or less popular.

Infrastructure and logistical constraints pose further challenges. Inadequate physical infrastructure, such as poor roads and unreliable power supply, can impede operations and



increase costs for startups. Moreover, the lack of efficient supply chain networks can hinder the timely delivery of products and services, affecting customer satisfaction. The scarcity of skilled talent is a persistent issue for Indian startups. Despite the country's large population, finding individuals with the right skills and experience, especially in specialized technical fields, can be challenging. Startups often compete with established companies that can offer better compensation packages and benefits, making talent retention a significant concern. Another challenge faced by Indian startups is market competition. The startup ecosystem in India is vibrant and dynamic, with numerous players vying for market share in various sectors. Established multinational companies and well-funded startups can pose stiff competition, making it difficult for new startups to carve out a niche and gain a foothold in the market.

Indian startups often grapple with the lack of adequate mentorship and support networks. Access to experienced mentors and industry experts can play a crucial role in guiding startups through their early stages, helping them avoid common pitfalls and make informed decisions. In addition, the digital divide in India poses a challenge for startups targeting customers from rural areas. While urban areas have witnessed significant digital penetration, rural regions still lack robust internet connectivity and digital literacy, limiting the potential market size for startups with a rural focus. Despite these challenges, Indian startups are resilient and innovative, and the government is taking steps to address some of these issues. Initiatives like "Startup India" aim to provide startups with various benefits, including tax exemptions and funding support, to foster a conducive ecosystem for their growth. As the startup ecosystem continues to evolve, addressing these challenges will be crucial for the sustained growth and success of Indian startups.

RESEARCH OBJECTIVES

- Identify funding sources and investment opportunities for Indian startups.
- Develop strategies to overcome financial constraints and sustain growth.
- Analyze regulatory hurdles and compliance requirements for startups in India.
- Foster financial literacy and entrepreneurial skills among startup founders.
- Promote collaboration between startups and financial institutions for mutual growth.

CONCEPT OF RESEARCH METHODOLOGY

Every researcher needs a methodology to collect the data needed for their research projects. An approach for methodically resolving the research challenge is called research methodology. It



might be thought of as the study of scientific research methodology. The setup, design, and pattern of the research are all displayed in the research technique. This document serves as the research's blueprint and planning sheet. Each researcher needs a methodology in order to gather data for their research projects.

Research Methodology is a way to systematically solve a research problem. It may be understood as a science of studying, how research is done scientifically. It is a study of the various steps that are generally adopted by a researcher in studying the research problem along with the logic behind them. It is necessary to know, not only the research methods and techniques but also the research methodology. It is also very important to understand thoroughly, how to develop certain tests, and how to apply particular research methods / techniques.

All the items under consideration in any field of inquiry constitute a 'Universe' or 'Population'. A complete list of all the items in the 'Population' is known as a census inquiry. It can be presumed that in such an inquiry, when all the items are covered, no element of chance is left, and highest accuracy is obtained. But in practice, this may not be true. Even the slightest element of bias in such an inquiry, will get larger and larger, as the number of observations increases. Besides, this type of inquiry involves a great deal of time, money and energy. Due to such magnitude of problems at hand, quite often, we select only a few items from the universe for our study purposes. The items so selected, constitute what is technically called a 'Sample'.

In dealing with any real-life problem, it is often found that data at hand is inadequate, and hence, it becomes necessary to collect data, that is appropriate. There are several ways of collecting appropriate data, which differ considerably in context of money costs, time and other resources, which are scarce at the disposal of the researcher.

In this study, the methodology is set of various methods to be followed to measure the following research work related to the present study as to analyze the capital requirements of the industries, to study the role of banks in providing financial support to startups industries in India, to evaluate the challenges faced by startup industries and to explore the overall contribution of Startups in providing employment

RESEARCH DESIGN

Research design is a description of procedures followed in testing the hypothesis and specification of operations for testing of a hypothesis under a given set of conditions. It is



important that an appropriate testing method should be chosen. The nature of the problem determines which design is most appropriate and how should be tailored to meet the needs of investigation.

In developing a research design, the researcher has to be guided by several factors such as objectives of the study, the hypothesis to be tested and the potentialities of the researchers. The basic purpose of research study is to the survey is a widely used method of research and is used to develop information based on the options and characteristics of individual in a population.

Research Design is the framework of research techniques and research methods chosen by a research scholar. The research design allows the research scholar to improve the research methods that are suitable for the subject matter of research. The design of a research topic explains the type of research (Experimental, Survey, Correlational, Semi-Experimental, Review) and also its sub-type (Experimental Design, Research Problem, Descriptive Case-Study). There are three main types of designs for research:

- (1) Data collection,
- (2) Measurement, and
- (3) Analysis.

Results and Discussion

DEMOGRAPHIC PROFILE OF RESPONDENTS (BANK EMPLOYEES) SELECTED IN PRESENT STUDY

Table 1: Number of Respondents (bank employees) selected in present study on the basis of Age

S. No.	Age Group	Number of Respondents	Percent
1	21-30 years	14	23.33
2	30-40 years	22	36.67
3	40-50 years	16	26.67
4	Above 50 years	8	13.33
	Total	60	100

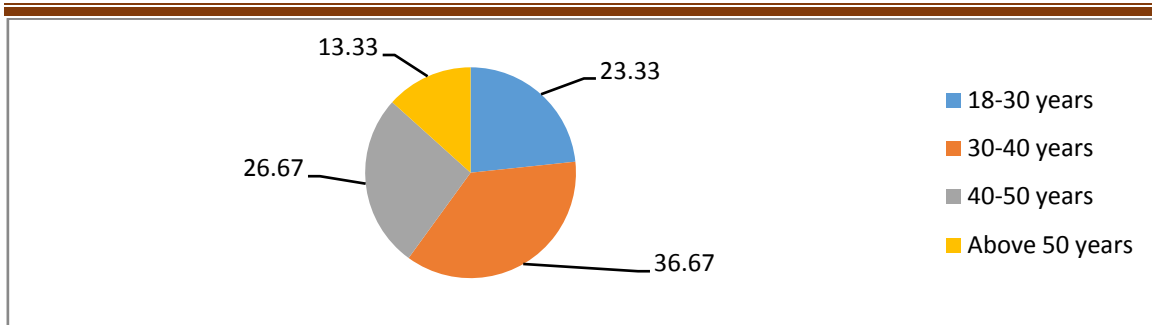


Figure 1: Percentage of Respondents (bank employees) selected in present study on the basis of Age

Analysis: From all respondents, 23.33 per cent belongs to 20 to 30 years age group, 36.67 per cent belongs to 31 to 40 years, 26.67 per cent belongs to 41 to 50 years and 13.33 per cent belongs to above 50 years age group in the present study.

Table 2: Number of Respondents (bank employees) selected in present study on the basis of Gender

S. No.	Gender	Number of Respondents	Percent
1	Male	43	71.67
2	Female	17	28.33
	Total	60	100

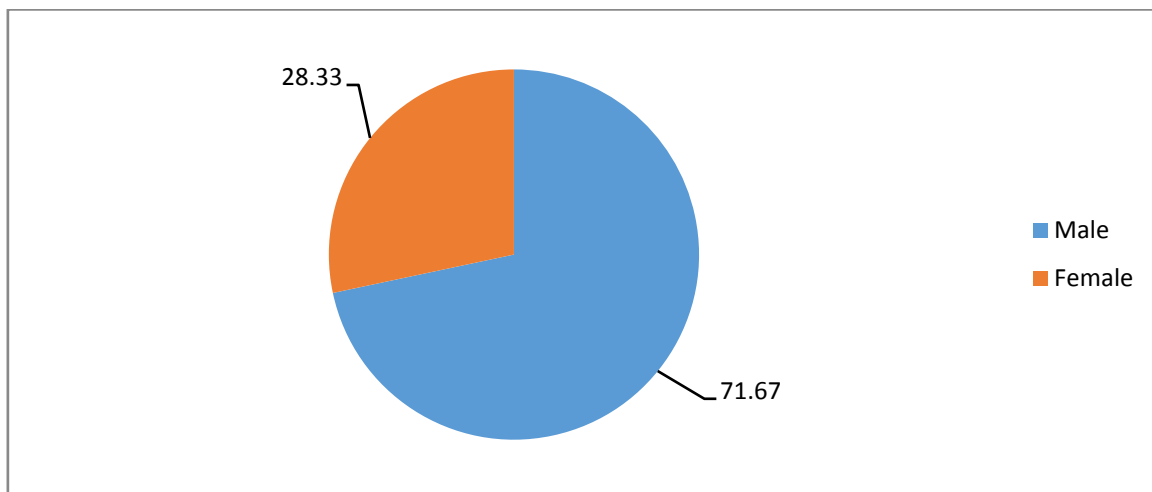


Figure 2: Percentage of Respondents (bank employees) selected in present study on the basis of gender

Analysis: Among all respondents, 71.67 per cent are male and 28.33 per cent are females. So, in the present study male respondents are in the high majority in comparison to the female respondents.

ANALYSIS RELATED TO ROLE OF BANKS IN PROVIDING FINANCIAL SUPPORT TO STARTUP INDUSTRIES IN NATIONAL CAPITAL REGION

Table 3: Response to the statement “Banks play a vital role in providing working capital assistance to startup industries in National Capital Region”

S. No.	Components	Number of Respondents	Percent
1	S A	18	30
2	A	21	35
3	N	5	8.33
4	D	10	16.67
5	S D	6	10
	Total	60	100

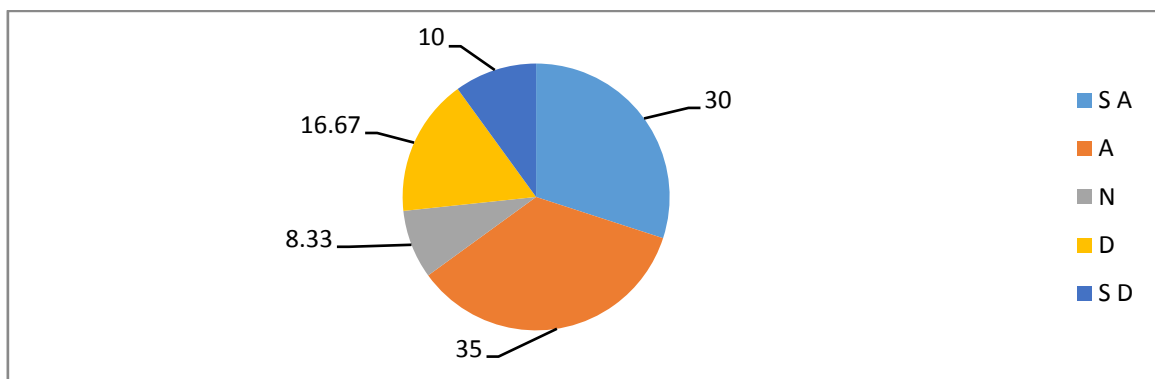


Figure 3: Response to the statement “Banks play a vital role in providing working capital assistance to startup industries in National Capital Region”

Analysis: Among all respondents, 30 percent strongly agreed that banks play a vital role in providing working capital assistance to startup industries, 35 percent agreed, only 8.33 percent neutral, 16.67 percent disagreed and 10 percent strongly disagreed to it. So majority of the respondents i.e. 65 per cent agreed about the statement.

Table 4: Response to the statement “Banks play a vital role in providing financial help during expansion of startup industries in National Capital Region”

S. No.	Components	Number of Respondents	Percent
1	S A	20	33.34
2	A	24	40
3	N	5	8.33

4	D	6	10
5	S D	5	8.33
	Total	60	100

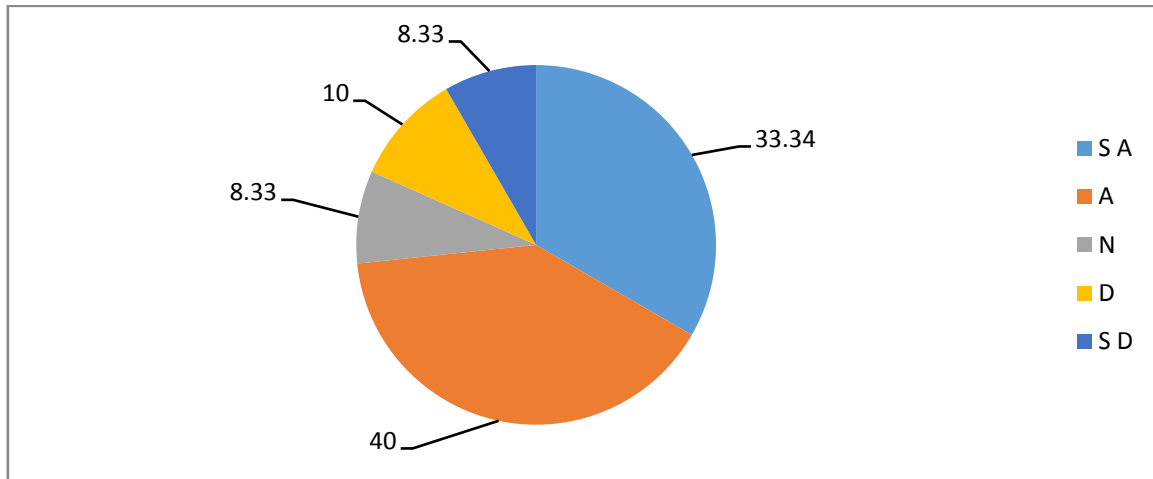


Figure 4: Response to the statement “Banks play a vital role in providing financial help during expansion of startup industries in National Capital Region”

Analysis: Among all respondents, 33.34 percent strongly agreed that banks play a vital role in providing financial help during expansion of startup industries, 40 percent agreed, only 8.33 percent neutral, 10 percent disagreed and only 8.33 percent strongly disagreed to it. So highly majority of respondents agreed that banks play a vital role in providing financial help during expansion of startup industries.

Table 5: Response to the statement “Banks play a vital role in providing advice to startup industries for investment in fixed assets in National Capital Region”

S. No.	Components	Number of Respondents	Percent
1	S A	17	28.33
2	A	20	33.33
3	N	6	10
4	D	10	16.67
5	S D	7	11.67
	Total	60	100

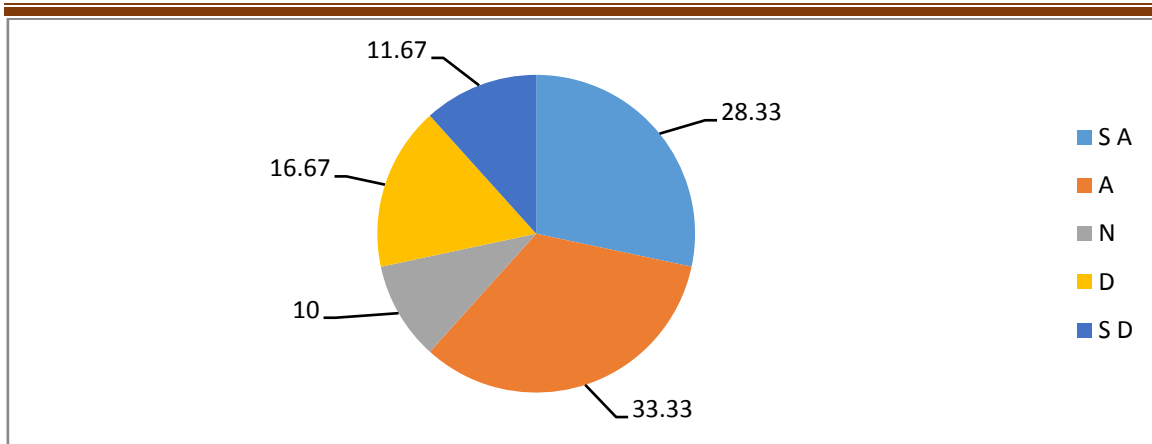


Figure 5: Response to the statement “Banks play a vital role in providing advice to startup industries for investment in fixed assets in National Capital Region”

Analysis: Among all respondents, 28.33 percent strongly agreed that banks play a vital role in providing advice to startup industries for investment in fixed assets, 33.33 percent agreed, 10 percent neutral, 16.67 percent disagreed and 11.67 percent strongly disagreed to it. So, almost 60 per cent respondents agreed to the statement, banks have to give more focus in providing advice to startup industries for investment in fixed assets.

Table 6: Response to the statement “Banks play a vital role in providing advice to startup industries for investment in shares and debentures in National Capital Region”

S. No.	Components	Number of Respondents	Percent
1	S A	16	26.67
2	A	18	30
3	N	5	8.33
4	D	15	25
5	S D	6	10
	Total	60	100

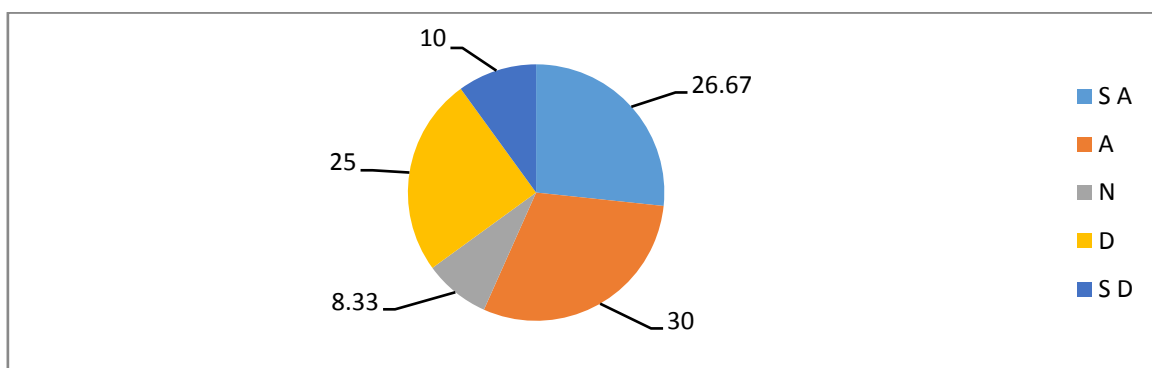


Figure 6: Response to the statement “Banks play a vital role in providing advice to startup industries for investment in shares and debentures in National Capital Region”

Analysis: Among all respondents, 26.67 percent strongly agreed that banks play a vital role in providing advice to startup industries for investment in shares and debentures, 30 percent agreed, 8.33 percent neutral, 25 percent disagreed and 10 percent strongly disagreed to it. So, less than 60 per cent respondents agreed to it, so banks have to give more focus in providing advice to startup industries for investment in shares and debentures.

Table 7: Response to the statement “Banks play a vital role in providing financial assistance in management of proper funds to startups in National Capital Region”

S. No.	Components	Number of Respondents	Percent
1	S A	20	33.34
2	A	22	36.67
3	N	5	8.33
4	D	8	13.33
5	S D	5	8.33
	Total	60	100

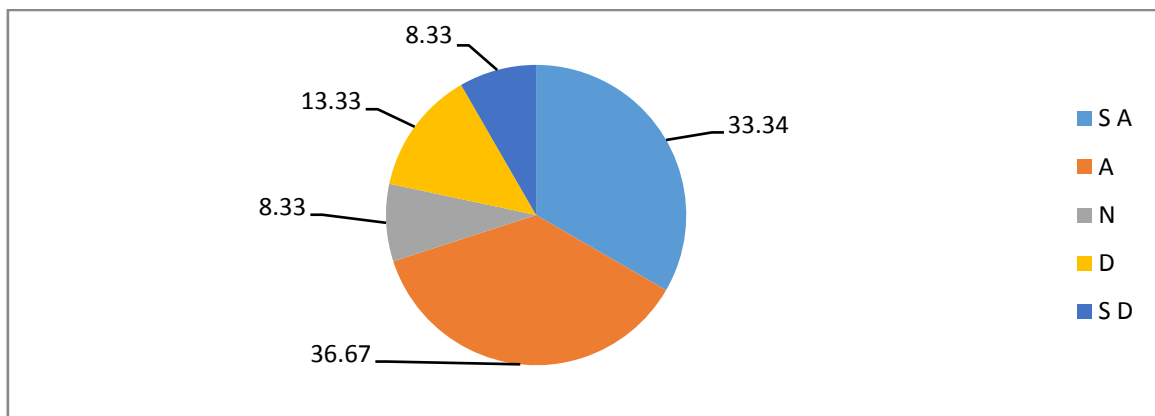


Figure 7: Response to the statement “Banks play a vital role in providing financial assistance in management of proper funds to startups in National Capital Region”

Analysis: Among all respondents, 34.34 percent strongly agreed that banks play a vital role in providing financial assistance in management of proper funds, 36.67 percent agreed, 8.33 percent neutral, 13.33 percent disagreed and 8.33 percent strongly disagreed to it. So, highly majority of respondents agreed that banks play vital role in providing financial assistance in management of proper funds to startups.

ANALYSIS RELATED TO POLICIES OF BANKS TO PROMOTE STARTUP INDUSTRIES IN NATIONAL CAPITAL REGION

Table 8: Response to the statement “Do you agree that Bank Credit Facilitation Scheme promote startup industries in National Capital Region”

S. No.	Components	Number of Respondents	Percent
1	S A	24	40
2	A	27	45
3	N	2	3.33
4	D	5	8.34
5	S D	2	3.33
	Total	60	100

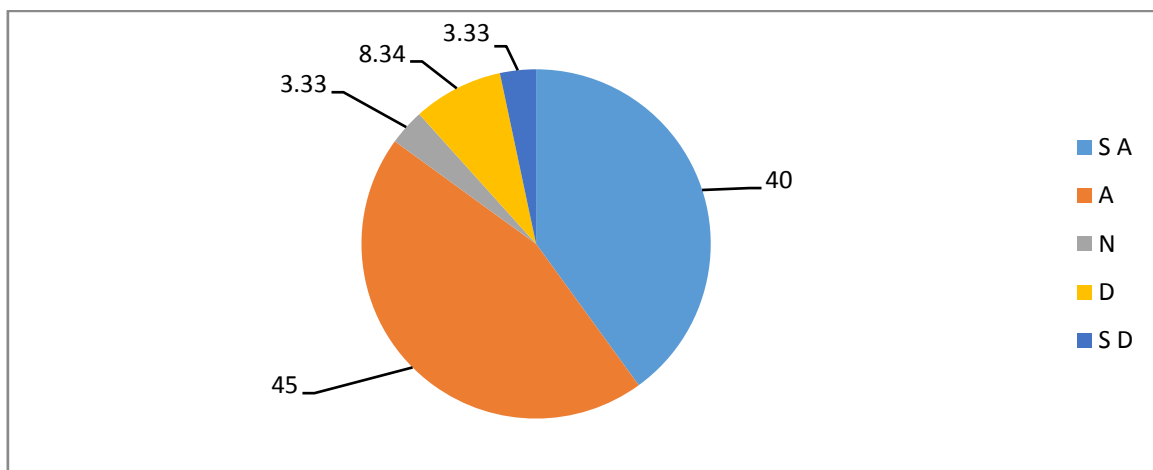


Figure 8: Response to the statement “Do you agree that Bank Credit Facilitation Scheme promote startup industries in National Capital Region”

Analysis: Among all respondents, 40 percent strongly agreed that bank credit facilitation scheme promote startup industries, 45 percent agreed, only 3.33 percent neutral, 8.34 percent disagreed and only 3.33 percent strongly disagreed to it. So, very high majority of respondents agreed to the statement.

Table 9: Response to the statement “Do you agree that Credit Guarantee Scheme promote startup industries in National Capital Region”

S. No.	Components	Number of Respondents	Percent
1	S A	22	36.67

2	A	24	40
3	N	3	5
4	D	7	11.67
5	S D	4	6.67
	Total	60	100

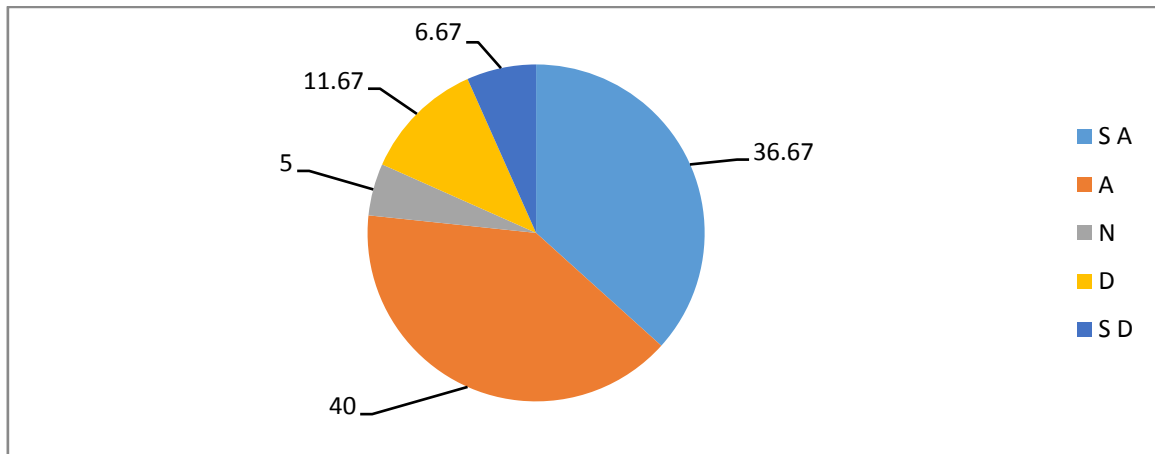


Figure.9: Response to the statement “Do you agree that Credit Guarantee Scheme promote startup industries in National Capital Region”

Conclusion

In conclusion, the startup industry is an essential component of the Indian economy, contributing to innovation, job creation, and economic growth. However, startups in India face various challenges, particularly in terms of financial requirements. Access to capital remains a significant challenge for startups in India, with many struggling to secure funding. This challenge is further compounded by the regulatory hurdles and talent scarcity, making it difficult for startups to sustain their operations. The financial requirements of startups in India include the cost of setting up a business, sustaining operations, and scaling up. Startups require significant investments in technology, infrastructure, and human resources to succeed in the long run. To address the challenges faced by startups, the government has taken several initiatives, such as the Startup India program, to support the industry's growth. However, more needs to be done to create a conducive environment for startups to thrive.

The startup industry in India holds immense potential, but addressing the financial requirements and challenges faced by startups is critical to unlocking this potential fully. By providing targeted support to startups and creating a conducive ecosystem for their growth,



India can continue to be a global leader in the startup ecosystem, driving innovation, economic growth, and job creation.

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