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An Investigation on the Financial Challenges Encountered by New Start-Ups and Young Entrepreneurs in India

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Abstract

In this paper, researcher examined the financial challenges encountered by nascent start-ups and young entrepreneurs in India. The objective was to comprehend the difficulties they face in obtaining money and overseeing their finances. By conducting interviews and questionnaires, researcher obtained significant insights into the prevalent financial obstacles encountered by these entrepreneurs. Key findings indicate challenges in obtaining traditional funding sources, including bank loans, elevated interest rates, insufficient collateral, and restricted credit history. The study emphasized the significance of financial literacy and the necessity for improved access to financial education and tools for young entrepreneurs. A significant number articulated the necessity for mentorship and direction in financial planning, budgeting, and investment techniques. The research paper offers recommendations for tackling these difficulties, including the encouragement of alternative funding sources such as venture capital, angel investors, and crowdfunding platforms. It underscores the significance of governmental activities and policies in fostering a conducive environment for start-ups and emerging businesses. This study elucidates the financial constraints encountered by nascent start-ups and young entrepreneurs in India, providing insights and solutions to facilitate their navigation of these obstacles more successfully.

Keywords: New Startups, Entrepreneur, Problems, Fund.

Introduction

Embarking on a new business endeavor can be both exhilarating and daunting, particularly for young entrepreneurs in India. Although their unique concepts and enthusiasm propel them, they frequently face numerous financial challenges that impede their advancement. This study examines the financial challenges encountered by these emerging start-ups and nascent entrepreneurs. It seeks to comprehend the principal problems they face in obtaining funding and managing their finances efficiently.

India, characterized by its dynamic start-up environment, has experienced a significant increase in entrepreneurial endeavors in recent years. Nonetheless, despite the increasing opportunities, numerous young entrepreneurs encounter difficulties in obtaining the requisite financial resources to support their enterprises. This study aims to elucidate the particular financial obstacles encountered and investigate viable remedies to mitigate these issues.

This research primarily aims to identify the significant barriers that impede young entrepreneurs from securing traditional funding sources, such as bank loans. We seek to elucidate the underlying factors contributing to this challenge, including elevated interest rates, insufficient collateral, and limited credit history. By comprehending these obstacles, we can propose strategies to enhance capital accessibility for aspiring entrepreneurs. Furthermore, this study acknowledges the critical role of financial literacy and its influence on the financial health of start-ups. Numerous young entrepreneurs lack the requisite knowledge and skills to manage their finances effectively, resulting in potential pitfalls and setbacks. We intend to emphasize the necessity for financial education and mentorship programs that can provide these entrepreneurs with the resources and expertise they need to make educated financial choices.

This research examines alternate funding alternatives that can support young entrepreneurs. We analyze the function of venture capital, angel investors, and crowdfunding platforms in closing the funding gap and promoting the expansion of start-ups in India. This study recognizes the significance of governmental policies and activities in fostering a conducive environment for emerging start-ups and young entrepreneurs. By examining current policies and pinpointing opportunities for enhancement, we may offer ideas to cultivate an atmosphere conducive to entrepreneurial success.

This research aims to enhance the comprehension of the financial obstacles encountered by nascent companies and emerging entrepreneurs in India. By recognizing these challenges and proposing viable solutions, we seek to empower prospective entrepreneurs and foster a more inclusive and supportive atmosphere for their success.

Literature Review

(Dr & Tatkar, 2024)in their study found that In recent years, the awareness of self-employment among college students has increased, leading them to be less reliant on parents, educational institutions, or waiting for opportunities. Instead, they typically take the initiative to seek new opportunities for themselves. The pandemic rendered numerous young individuals unemployed and compelled the emergence of entrepreneurial businesses. India ranks as the seventh-largest nation by land area and is the second-most populous country, housing about 1.32 billion inhabitants. A substantial population indicates a significant potential market in India. Nonetheless, it also results in significant employment pressure within Indian society. Consequently, entrepreneurial abilities will shape the future of India. However, there are other challenges associated with becoming the most populous country. This study seeks to examine the obstacles associated with financing startups in India. The report examines the primary challenges encountered by startups in India and analyzes their financial resources.

(Jain & Mittal, 2024)This study paper investigates an exhaustive examination of startups, concentrating on the techniques utilized to secure funding, the obstacles faced, and the chances that facilitate their expansion. This study seeks to provide insights into effective

financial management for startups by examining theoretical frameworks, empirical studies, and real-world examples, thereby enhancing the understanding of the startup finance ecosystem. It analyzes the elements that facilitate a startup's success, encompassing a robust value proposition, a clearly delineated target market, and a proficient team. The document examines the contemporary global startup environment, emphasizing patterns and regional disparities. Ultimately, it examines the influence of startups on society, encompassing job creation, economic growth, and technological progress.

(Nehra & Choudhary, 2023) The primary aim of this research paper was to analyze the growth patterns and funding stages of these companies, as well as to elucidate the establishment and management of a startup, and to examine the actions undertaken by the Government of India to support startups. This report offers insights on policies and practices that can be leveraged to alleviate financial bottlenecks impacting start-ups in India. The survey has revealed that Indian start-up enterprises mostly seek finance in four distinct stages: early stage, growth stage, expansion stage, and bridge financing.

(Mathur & Agarwal, 2022) India adopted the concepts of equity of opportunity, wealth distribution, and public accountability for those without basic necessities. The Government of India established Startup Action Plan to improve ease of doing business, taxation, access to funding for startups, and skilling. A startup firm is a new, fast-growing business that promotes or offers an innovative product, process, or service to meet a market need. Traditional private funds from family and friends are large and solitary, but startups need private equity to reach their full potential. Most businesses fail in their first year. Lack of finance is a common reason. Money drives any firm. Startups need money to start.

(David et al., 2020) in their study found that After "reverse brain-drain" and making India startup-friendly, the government must focus on developing top technical and global business expertise. India can learn from Israel and other R&D-intensive nations and develop links between startups, corporates, academic institutions, and the government. India excels in global innovation, but may improve by investing in human capital, higher education, and implementing an IP strategy. Support is needed for entrepreneurs and innovators in India who are limited to generating their own products and services and lack the experience and capacity for better accounting, marketing, and sales. Improved subnational financial depth appears to be beneficial empirically. Increasing bank and NBFC financing and enabling more firms to qualify for government programs is crucial for boosting startup investments. For entrepreneurs, the government must give assistance during macroeconomic measures like demonetization, GST implementation, and laws like the "Angel Tax" and Insolvency and Bankruptcy Code benefits. The government's outreach activities raise awareness of its plans, but increasing innovation outside Tier 1 cities is crucial.

(Andaleeb & Singh, 2016) This article discusses the rapid expansion of start-up companies and their prospective financing sources, with a particular focus on funding enterprises in India. The distinct phases of development for start-ups, along with their Financing sources at each phase have been examined. The objective of the research was to examine whether India has established adequate provisions to finance entrepreneurial concepts with potential for future success and expansion. This report aims to elucidate the substantial funding accessible to startup companies in India, hence supporting related

research. Furthermore, at the worldwide level, there is an increasing body of research about the significance and methods of financing nascent enterprises and those in their initial stages of development, particularly at this era of heightened globalization. This section discusses the progress achieved by India to date, along with the incentives and regulations established by the Government of India.

Objective of the Study

- To Identify key financial challenges for start-ups and young entrepreneurs in India.
- To Analyse the impact of limited access to capital and funding on their growth.
- To Examine government policies' role in hindering or facilitating financial success.
- To Explore alternative financing options for addressing their financial needs.
- To Investigate gender disparities in accessing financial resources and funding.
- To Assess the role of technology in mitigating financial challenges.
- To Identify strategies used by successful start-ups to overcome financial obstacles.
- To Provide recommendations to improve the financial ecosystem for start-ups and young entrepreneurs.

Research Methodology

Initially, we must explicitly delineate the study's purpose. This entails comprehending the particular financial obstacles confronting nascent companies and emerging entrepreneurs in India. Subsequently, we ought to examine the current literature on startup funding and entrepreneurship in India. This will assist us in establishing a robust knowledge base and identifying any deficiencies in the research. Upon acquiring a comprehensive understanding of the topic, we may determine the study design. This may entail employing various methodologies such as surveys, interviews, or analyzing case studies to collect data. Subsequently, we must determine the subjects of our investigation. This entails identifying the target demographic, specifically new companies and emerging entrepreneurs in India. We must ascertain the sample size and the method of participant selection to ensure our findings are representative. The data collection phase has commenced. We can employ numerous approaches such as online surveys, in-person interviews, or group discussions to collect the requisite information. Upon acquiring all the data, we must do an analysis. This may include employing various strategies based on the nature of the data obtained. For instance, we may do qualitative analysis to discern themes or quantitative analysis to examine statistical patterns. It is essential to adhere to ethical principles throughout the study process. This entails acquiring informed consent from participants, safeguarding their confidentiality, and ensuring the research is conducted ethically. Ultimately, we are able to explain our findings and formulate conclusions. We ought to encapsulate the principal lessons we uncovered and proffer ideas for mitigating the financial challenges encountered by nascent businesses and emerging entrepreneurs in India.

Scope of Study

- Examine the particular financial obstacles encountered by nascent companies and emerging entrepreneurs in India.

- Examine the effects of insufficient finance availability on the development and viability of companies.
- Examine the factors contributing to elevated interest rates and their impact on the financial stability of startups.
- Assess the efficacy of governmental support initiatives and policies in meeting the financial requirements of startups.
- Evaluate the degree of financial literacy among young entrepreneurs and its impact on their financial decision-making.
- Examine the obstacles that impede startups from securing investment and analyze possible remedies.
- Examine the techniques and optimal procedures for overseeing cash flow throughout the initial phases of a startup.
- Examine the accessibility and efficacy of mentorship initiatives for emerging entrepreneurs in India.

Limitation of the Study

- Lower sample size
- Temporal limitations
- Insufficient generalizability to other nations or locations
- Possibility of response bias in survey-based research
- Challenges in acquiring precise financial data from startups.
- Insufficient control over external variables that may influence financial issues
- Failure to consider regional disparities in financial difficulties
- Difficulties in discerning the fundamental reasons of financial issues encountered by startups
- Restricted access to extensive qualitative data for thorough examination Invalid input.

Research Gap

- Insufficient comprehensive analysis of certain financial difficulties.
- Insufficient comprehension of funding sources and accessibility for businesses.
- Examine the influence of governmental policies on startup funding.
- Research deficiency in financial literacy and education among entrepreneurs.
- Significance of mentorship and support networks in mitigating financial issues.
- Gender-based inequalities in obtaining financial resources and assistance.
- Impact of cultural influences on financial challenges encountered by startups.

Obstacles Encountered by Young Start-Ups and Emerging Entrepreneurs in India

- **Insufficient Access to Capital:** Numerous nascent start-ups and emerging entrepreneurs encounter difficulties in obtaining capital to initiate and expand their

enterprises. Examine the obstacles encountered in obtaining conventional finance sources such as banks and venture capitalists.

- **Elevated Operational Expenses:** Start-ups frequently have substantial costs associated with office space, equipment, and marketing. Examine the influence of these expenses on their financial stability and competitive capacity in the market.
- **Insufficient Financial Management Proficiency:** Young entrepreneurs may possess little experience and understanding in financial management, resulting in challenges with budgeting, cash flow oversight, and financial strategizing. Analyze the effect of this deficiency in competence on their enterprises.
- **Legal and Regulatory Challenges:** Start-ups frequently encounter intricate legal and regulatory obligations, which can be expensive to manage. Examine the financial consequences of compliance and regulatory obligations on emerging enterprises.
- **Restricted Access to Mentorship and Support:** Numerous young entrepreneurs are deprived of experienced mentors and support networks, which might impede their capacity to make informed financial decisions. Examine the influence of this absence of direction on their financial difficulties.
- **Market Volatility and Competition:** Start-ups function within a dynamic and competitive environment, potentially resulting in financial instability. Examine the impact of market volatility and competition on the financial stability of emerging enterprises.
- **Restricted Access to Mentorship and Networking Opportunities:** Investigate the effects of insufficient mentorship and networking opportunities on the financial viability of nascent start-ups and emerging entrepreneurs. Examine the function of mentorship programs, incubators, and accelerators in tackling this issue.
- **Challenges in Scaling Operations:** Expanding a start-up necessitates substantial financial resources. Analyze the obstacles encountered by nascent enterprises in scaling their operations and the associated financial ramifications of this endeavor.
- **Economic and Political issues:** Examine the influence of economic elements, like inflation and currency volatility, alongside political issues, such as governmental laws and regulations, on the financial stability of start-ups in India.
- **Restricted Market Access:** Numerous start-ups encounter difficulties in entering established markets or accessing new ones due to numerous obstacles. Examine the financial obstacles linked to restricted market access and the tactics utilized by businesses to surmount these impediments.
- **Insufficient Financial Infrastructure:** Examine the effects of deficient financial infrastructure, including restricted access to banking services, credit options, and digital payment systems, on the financial challenges encountered by nascent start-ups and emerging entrepreneurs.
- **Cultural Approaches to Entrepreneurship:** Examine how cultural perceptions of entrepreneurship, risk-taking, and failure can affect the financial obstacles encountered by new companies and emerging entrepreneurs in India.

- **Influence of Government Regulations and Initiatives:** Examine the effects of government policies, including taxation, licensing, and regulations, on the financial sustainability and expansion of nascent start-ups and emerging entrepreneurs. Evaluate the efficacy of governmental programs designed to provide financial support for entrepreneurial enterprises.
- **Absence of Collateral and Credit Record:** Examine how the lack of collateral and credit history creates obstacles for nascent start-ups and emerging entrepreneurs in securing loans and credit from financial institutions. Investigate other finance solutions to address this issue.
- **Gender Inequalities in Funding Access:** Examine the gender disparities in obtaining funding and financial resources for start-ups and emerging entrepreneurs. Examine the effects of these differences on the financial performance and expansion of women-led enterprises.

Pros and Cons of Financial Challenges Encountered by Nascent Firms and Emerging Entrepreneurs in India

Pros

- **Flexibility:** Constrained finances compel entrepreneurs to exhibit resourcefulness and devise innovative solutions.
- **Emphasize essentials:** Financial limitations facilitate the prioritization of fundamental company requirements and the avoidance of superfluous expenditures.
- **Enhanced financial management competencies:** Overcoming financial obstacles can result in greater financial acumen.
- **Potential for learning and development:** Surmounting financial obstacles can yield significant insights and enhance skill acquisition.
- **Enhanced resilience:** Navigating financial challenges can cultivate greater resilience and adaptability in entrepreneurs.
- **Creative problem-solving:** Scarce resources can stimulate inventive thinking and ingenuity.

Cons

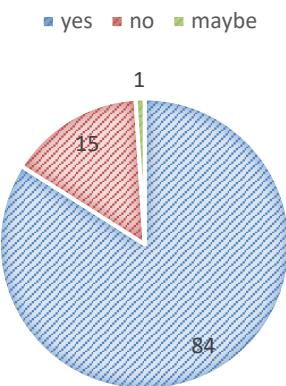
- **Restricted scalability:** Inadequate financial resources may hinder the capacity to expand operations and access a broader market.
- **Elevated stress and pressure:** Financial difficulties can induce considerable tension and worry for enterprises.
- **Challenges in obtaining investors:** Investors may exhibit reluctance to participate in firms experiencing persistent financial difficulties.
- **Constrained growth potential:** Insufficient financial resources might impede the development and expansion of companies.

- **Elevated chance of failure:** Financial difficulties might heighten the probability of startup failure.
- **Restricted access to opportunities:** Inadequate financial resources may hinder networking, marketing, and talent acquisition.

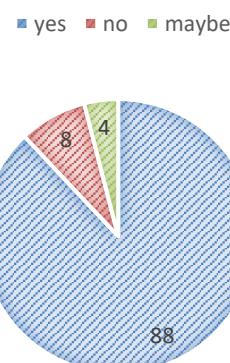
Data Analysis and Interpretation

Here 100 Responses collected by Researcher with the help of Questionnaire and Personal Interview.

DO YOU BELIEVE THAT STARTUPS ARE TRULY THRIVING UNDER THE LEADERSHIP OF YOUTHFUL ENTREPRENEURS?

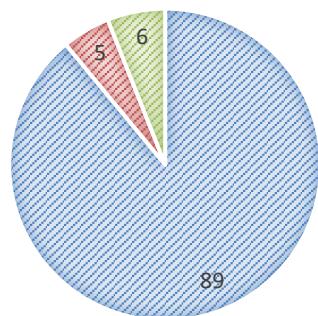


SHOULD YOUNG ENTREPRENEURS CONSIDER ACQUISITION OR MERGER WITH ESTABLISHED COMPANIES AS A NECESSITY FOR STARTUPS?



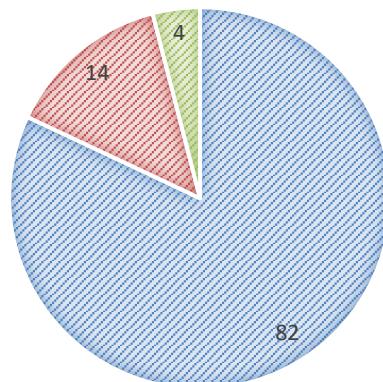
NEARLY 80% OF STARTUPS ENCOUNTER LEGAL CHALLENGES INITIATED BY YOUNG ENTREPRENEURS.

■ yes ■ no ■ maybe



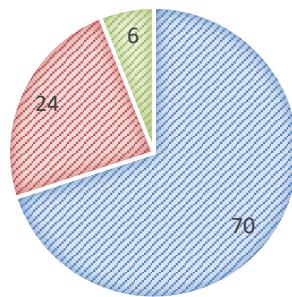
WHICH IS MORE SIGNIFICANT FOR ACHIEVING SUCCESS AS AN ENTREPRENEUR: EDUCATION OR EXPERIENCE?

■ Experience ■ Education ■ Both



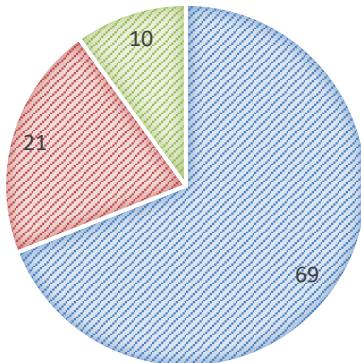
**DO YOU BELIEVE THE ALLEGATIONS ENCOUNTERED
BY NUMEROUS ENTREPRENEURS DURING AND
AFTER DEMONETIZATION?**

■ yes ■ no ■ maybe



**IS GST NEGATIVELY IMPACTING STARTUPS IN ALL
ASPECTS FOR YOUNG ENTREPRENEURS?**

■ yes ■ no ■ maybe



Conclusion

From the above discussion we can say that A principal obstacle encountered by nascent start-ups and emerging entrepreneurs in India is the difficulty in obtaining sufficient capital and funding. This impedes their capacity to develop and broaden their enterprises. The study underscores the substantial influence of government policies on the financial viability of start-ups and emerging entrepreneurs. Supportive and friendly policies for entrepreneurship

can mitigate financial obstacles. The study underscores the significance of investigating other financing avenues beyond conventional bank loans and venture capital. Crowdfunding, angel investors, and incubators offer significant financial assistance. The study uncovers gender differences in the accessibility of financial resources and capital for start-ups and emerging entrepreneurs. Initiatives must be undertaken to rectify these discrepancies and advance gender equality in entrepreneurship. Technology is essential in alleviating financial difficulties encountered by start-ups and emerging entrepreneurs. Digital platforms, fintech solutions, and online marketplaces offer potential for economical operations and access to an expanded consumer base. The research delineates several tactics utilized by successful start-ups to navigate financial difficulties. These techniques encompass bootstrapping, strategic alliances, and effective financial management.

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