

Challenges Before Startup Entrepreneurs in Present Entrepreneurial Ecosystem

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Abstract

The entrepreneurial ecosystem is the environment in which startups are born, grow, and succeed. It comprises elements that help companies succeed, such as infrastructure, talent, and finance access. The entrepreneurial ecosystem is constantly evolving, and the challenges faced by startup entrepreneurs are also changing. To provide a supportive environment for businesses and entrepreneurs, initiatives like Startup India, Make in India, and Digital India have been introduced. Startup entrepreneurs are individuals who establish and operate new business ventures with the aim of introducing innovative products, services, or business models to the market. These entrepreneurs typically create startups, which are newly formed companies that are often technology-oriented and have high growth potential. India has been a leading player in the global startup ecosystem. There has been a significant growth in the number of startups and entrepreneurs in recent years. As per to the Global Startup Ecosystem Report 2022, there were an estimated 540,000 startups worldwide in 2021. This paper aims at discussing the present contribution and support of entrepreneurial ecosystem in India and major challenge that startup entrepreneurs face in the present entrepreneurial ecosystem. These challenges include marketing, financial, human resource and technological challenges. Startup business owners confront numerous difficulties, but they are not insurmountable. Startup founders can raise their chances of success by being aware of the difficulties and taking action to reduce their risks.

Keywords: Startup Entrepreneurs, Entrepreneurial Ecosystem, Challenges, Start-up India, numerous difficulties

INTRODUCTION

India has been a prominent player in the global startup ecosystem and has witnessed rapid growth in the number of startups and entrepreneurs in recent years. As per the Global Startup Ecosystem Report 2022, there were near about 540,000 startups worldwide in 2021. According to department of science and technology India ranked globally 3rd in Start-Up ecosystem and also in terms of number of Unicorns. As per the latest data, there are currently 105 unicorns, out of which 44 were born in 2021 and 19 in 2022. cities like Bengaluru, Delhi NCR, and Mumbai emerging as major hubs for innovation and entrepreneurship (Pandey 2018) [10]. The country has a large pool of young and talented individuals, a growing middle class, and an increasing number of venture capital funds and angel investors, which have contributed to the rise of startups. India consistently ranks among the top nations in the world for the total number of startups. By the end of 2023, India had over 90,000 firms, making it one of the largest startup ecosystems in the world, according to numerous reports. Successful startups have appeared in a variety of industries, including e-commerce, technology, fin tech, health tech, ed tech, and

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more. The Indian government has launched a number of programmes to encourage and support entrepreneurship there. To provide a supportive environment for businesses and entrepreneurs, initiatives like Startup India, Make in India, and Digital India have been introduced. These initiatives include tax benefits, funding opportunities, incubation centers, and ease of doing business measures.



Figure 1. Entrepreneurial ecosystem

The diagram shows how these different components interact with each other to create an environment that is conducive to entrepreneurship [1]. For example, entrepreneurs need access to capital and knowledge, and they need to be able to find skilled workers. The supporting institutions can help to provide these resources, and they can also help to create a favorable regulatory environment.

REVIEW OF LITERATURE

In the global economy, entrepreneurship is essential and has a big impact on a variety of things, including wealth generation, job creation, and economic growth. Entrepreneurial ventures contribute to economic growth by introducing new products, services, and technologies. (Meyer & Jongh 2018) These innovations lead to increased productivity, efficiency, and competitiveness, which drive economic expansion and development. Entrepreneurs analyze market gaps and create innovative solutions to suit developing requirements. Their willingness to take risks and embrace change fosters technological advancements, which drive overall progress and improve living standards (Crompton 2012) [3]. Regional growth is greatly aided by entrepreneurship, especially in less developed areas. Fisher and Nijkamp (2009) [4] It is helpful in creation of local employment, and contributes to infrastructure development, thereby fostering economic growth.

Startup entrepreneurs are individuals who establish and operate new business ventures with the aim of introducing innovative products, services, or business models to the market. These entrepreneurs typically create startups, which are newly formed companies that are often technology-oriented and have high growth potential (Schick et al., 2002) [14]. They are driven by the desire to solve problems, meet unmet needs, or provide better solutions to existing challenges. Startup entrepreneurs often face numerous challenges, such as securing funding, building a talented team, developing a viable business model, and navigating the complexities of the market (Salamzadeh & Kawamorita Kesim 2015), [12] Where adaptability and resilience are crucial. Successful startup entrepreneurs are often associated with traits such as creativity, persistence, flexibility, and the ability to learn from failure. They are willing to

iterate, pivot, and make adjustments to their business strategies as they gain insights from customer feedback and market dynamics. The ultimate goal for startup entrepreneurs is to grow their companies rapidly and achieve significant market impact (Hechavarria et al., 2012) [5]. This can involve scaling operations, attracting investors, expanding into new markets, and ultimately becoming a sustainable and profitable business.

An entrepreneurial ecosystem refers to the interconnected network of individuals, organizations, resources, and support mechanisms that foster entrepreneurship and the growth of startup businesses within a specific geographic region or industry (Stam & Van de Ven 2021). It encompasses a range of elements that create an environment conducive to entrepreneurship, innovation, and economic development. Components of an entrepreneurial ecosystem consists of the start-up Entrepreneurs, the individuals who conceive, initiate, and drive startup ventures. Startups are often at the center of an entrepreneurial ecosystem and contribute to its vibrancy and economic growth (Acs et al., 2017). It also includes Angel investors, venture capitalists, and other financial institutions play a crucial role in providing funding and capital to startups (Jha 2018) [7]. They provide the necessary financial resources to fuel growth and innovation. Experienced entrepreneurs, industry experts, and business professionals offer guidance, mentorship, and advice to aspiring entrepreneurs (Stam & Spiegel 2016) [17]. They offer significant insights, connections, and assistance to entrepreneurs in navigating problems and making educated decisions.. Universities, research centers, and academic institutions contribute to the entrepreneurial ecosystem by fostering innovation, conducting research, and offering entrepreneurship education and training programs. Incubators, accelerators, co working spaces, and entrepreneurship support organizations provide physical infrastructure, resources, networking opportunities, and business development support to startups and entrepreneurs. Favorable government policies, regulations, and initiatives that promote entrepreneurship, attract investment, and support the growth of startups are essential for a thriving entrepreneurial ecosystem (Suresh & Ramraj 2012) [18]. Strong networks and collaborative relationships among entrepreneurs, investors, mentors, and other ecosystem stakeholders foster knowledge sharing, partnerships, and business opportunities. For the purpose of establishing an entrepreneurial environment, it is critical to have a culture that values innovation, risk-taking, and entrepreneurship. (Korreck 2019) [8]. A supportive and inclusive environment encourages individuals to pursue entrepreneurial endeavors and embrace a growth mindset. An effective entrepreneurial ecosystem thrives on the synergies created by these interconnected components (Jain 2016) [6]. It promotes the creation of new ventures, job creation, innovation, and economic growth within a region or industry.

OBJECTIVES OF STUDY

The objective of the study is to identify various Entrepreneurial ecosystem support provided by Central Government for the Start-up Entrepreneurs and to analyses various Challenges faced by the Start-up Entrepreneurs.

Various Entrepreneurial Ecosystem support provided by Central Government

The central government of India has taken several initiatives to support and promote start-up entrepreneurship in the country. Some of the facilities provided by the government for start-up entrepreneurs in India:

1. **Startup India Initiative:** Startup India Scheme has been Launched in 2016, Startup India is a flagship program by the Government of India to foster innovation and promote start-up culture. It provides various benefits and support to start-up entrepreneurs, including:
 - a. *Startup India Hub:* An online platform that acts as a single-point contact for start-ups to access information, resources, and support.
 - b. *Simplified Regulatory Framework:* The government has simplified various regulations and procedures for start-ups, such as faster patent examination, relaxed labour laws, and easier exit options.
 - c. *Startup India Learning Program:* An online entrepreneurship and business learning program to help start-up founders enhance their skills and knowledge.

- d. **Incubation Support:** The government has established a network of incubators and accelerators to provide mentoring, infrastructure, and other support services to start-ups.
 - e. **Funding Support:** Various funding schemes have been introduced, such as the Fund of Funds for Startups (FFS), to provide financial support and access to capital for start-ups.
 - f. **Tax Benefits:** Start-ups can avail tax exemptions for a specified period under the Startup India initiative.
2. **Atal Innovation Mission (AIM):** AIM is a government project aiming at encouraging student, researcher, and entrepreneur innovation and entrepreneurship. It includes the following programs:
 - a. **Atal Incubation Centers (AIC):** AIM has established incubation centers across the country to support and nurture start-ups. These centers provide mentorship, infrastructure, and funding opportunities.
 - b. **Atal Community Innovation Centers (ACIC):** ACICs are established in schools, colleges, and other educational institutions to promote innovation and problem-solving skills among students.
 - c. **Atal New India Challenges (ANIC):** ANIC invites innovative solutions to specific problem statements identified by various ministries and departments, providing an opportunity for start-ups to showcase their solutions.
 3. **Make in India and Digital India:** These flagship campaigns by the government aim to promote manufacturing and digital entrepreneurship, respectively. They provide a favorable business environment, policy support, and infrastructure development to start-ups in the respective sectors.
 4. **Research and Development (R&D) Support:** The government offers grants, tax incentives, and funding schemes for start-ups engaged in research and development activities, encouraging innovation and technological advancements.
 5. **Intellectual Property Rights (IPR) Support:** The government has simplified and expedited the process of patent filing and examination for start-ups. It also provides financial support for patent filing and facilitates IPR awareness and capacity building programs.
 6. **Single Window Clearance:** The government is working on simplifying regulatory processes and providing a single-window clearance system for various approvals, licenses, and permissions required to start and operate a business.

The central government's support for startups is part of a broader effort to promote entrepreneurship and innovation in India. The government believes that startups can play a major role in driving economic growth and creating jobs.

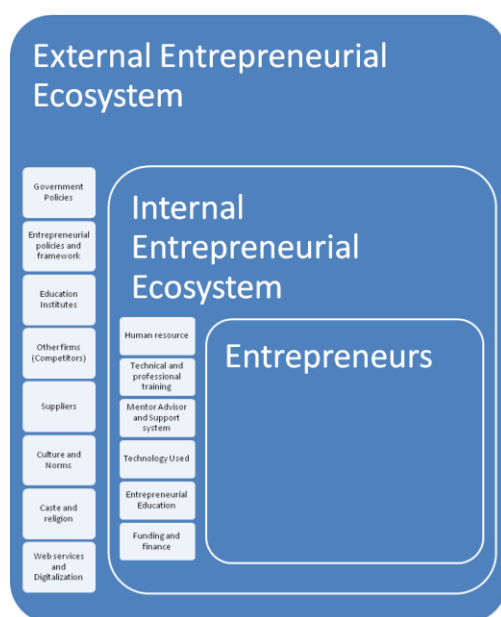


Figure 2. Internal and External Entrepreneurial Ecosystem

CHALLENGES FACED BY START-UP ENTREPRENEURS

Start-up entrepreneurs in India face several challenges in their journey to establish and grow their businesses. Few of the challenges are Dealing with complex regulatory processes, obtaining licenses, permits, and complying with various government regulations can be time-consuming and cumbersome for start-ups. The bureaucratic red tape can slow down the progress and increase costs for entrepreneurs. Funding is a key barrier for Indian start-ups. Limited access to capital, especially in the early stages, makes it difficult for entrepreneurs to raise funds for their ventures (Banudevi & Shiva 2019) [2]. Despite the emergence of venture capital firms and angel investors, securing investment remains a challenge for many start-ups. According to CB Insights research, 72% of businesses fail owing to a lack of capital. Inadequate physical and digital infrastructure can hinder the growth of start-ups. Poor logistics, unreliable power supply, limited internet connectivity, and inadequate transportation systems can create operational challenges and increase costs for entrepreneur A study by McKinsey found that the average lifespan of a technology company has decreased from 15 years in 1980 to just five years today. Furthermore, getting experienced labor at a reasonable price might be difficult for start-ups. Established companies often offer higher salaries and better benefits, making it difficult for start-ups to attract and retain talented employees.

The scarcity of experienced professionals in certain industries further exacerbates this challenge. Some common financial challenges they may encounter and founders often struggle to secure sufficient funding to cover their initial expenses, such as product development, marketing, and operational costs (Sharma et al., 2019) [15]. They may face difficulties in attracting investors or obtaining loans from financial institutions. Maintaining a strong cash flow is critical for new businesses. However, irregular revenue streams and high expenses can make it challenging to manage cash flow effectively. Founders may struggle to pay their bills, cover employee salaries, and invest in growth while ensuring they have enough cash on hand to sustain operations. Start-ups may need to raise additional funding to fuel growth or sustain their operations. Building connections with investors, negotiating term sheets, and receiving finance can be a time-consuming and difficult process. Founders may also face challenges in meeting the expectations of existing investors and maintaining positive investor relations. Start-ups may accumulate debt from various sources, such as loans, credit lines, or personal investments. Balancing the need for financing with the burden of debt and interest payments can be challenging, especially if the start-up experiences unexpected setbacks or delays in revenue generation.

Start-up founders often encounter various technological challenges that can impact their ability to develop, launch, and scale their ventures. Choosing the right technologies and platforms to build their product or service can be a daunting task for start-up founders. They need to evaluate different options, consider factors such as scalability, compatibility, security, and cost-effectiveness, and make decisions that align with their long-term vision and business goals. For start-ups, protecting sensitive user data and maintaining compliance with data protection requirements is a substantial issue (Vijai 2019) [20]. Building robust security measures, implementing encryption, and establishing secure access controls require expertise and investment. A survey by LinkedIn found that 60% of startups have difficulty hiring qualified employees Start-ups may need to integrate their products or services with existing systems, platforms, or third-party APIs to provide a seamless user experience or expand their market reach. Ensuring compatibility, managing data exchange, and overcoming technical hurdles during integration can be complex and time consuming.

Start-ups often face pressure to release products quickly, which can lead to the accumulation of technical debt. Technical debt refers to shortcuts or less-than-optimal solutions implemented during development that may need to be addressed later. Balancing the need for speed with maintaining code quality and minimizing technical debt is a continuous challenge for start-up founders (Raju et al., 2020) [11]. Maintaining current trends, developing technology, and industry standards necessitates ongoing learning and adaptability. Falling behind in technology can result in outdated products, inefficient processes, and difficulties attracting customers or investors.

METHODOLOGY

In this study, start-up entrepreneurs were considered for the study. As these entrepreneurs are the owners of the firms. The target population consists of entrepreneur from different industries. Non probability snowball sampling was used in compliance with the study's overall needs.. Total 236 data was collected and 163 data was considered fit for analysis after final data cleaning.

DATA ANALYSIS AND INTERPRETATION

Among the various challenges faced by the start-up entrepreneurs The four important factors were identified from the literature review. All factors were verified by startup business owners using exploratory factor analysis, and items whose factor loading was less than 0.50 were deemed inappropriate [9]. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy and the Bartlett's Test of Sphericity were utilised by the researcher to assess the sampling's sufficiency and the data's redundancy and collinearity, respectively Table 1 shows a KMO value of 0.745, which is greater than the recommended cutoff point of 0.70 (Tabachnick and Fidell, 2007) [19]. Since the data passed the Bartlett's Test of Sphericity with a substantial result, Principal Component Analysis was recommended because there was no multi collinearity or redundancy in the data.

Table 1. KMO and Bartlett's Test.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.745
Bartlett's Test of Sphericity	Approx. Chi-Square	1882.147
	Df	120
	Sig.	.000

The principal component analysis determined the factor loading using varimax rotation. Hair and his colleagues (2010) claimed that the minimal criteria of 60% was justified because the extracted components explained the overall variation by 75.432% (Hair et al., 2010). Factor loading is greater than 0.6, according to Table 2.

Table 2. Rotated Component Matrix^a.

	Component			
	<i>Technologic al chal- lenge</i>	<i>Marketing chal- lenge</i>	<i>Financial chal- lenge</i>	<i>Human resource chal- lenge</i>
MKT1		.857		
MKT2		.924		
MKT3		.852		
MKT4		.794		
FIN1			.892	
FIN2			.875	
FIN3			.777	
FIN4			.838	
TEC1	.891			
TEC2	.847			
TEC3	.922			
TEC4	.874			
HR1				.825
HR2				.694
HR3				.822
HR4				.767
Eigen Value	4.681	3.284	2.228	1.876
Variance explained (%)	29.259	20.522	13.927	11.723
Cumulative variance (%)	29.259	49.782	63.709	75.432
N=163; Total variance explained = 75.43				
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 5 iterations.				

Startup founders face a number of marketing challenges in the present scenario. These challenges include: The market is increasingly crowded with startups, making it difficult to stand out from the competition. Startups sometimes have small marketing budgets, which can make it challenging to reach a wide audience. Startup owners might lack the marketing know-how necessary to successfully target their customers. It might be challenging to stay up to date with the current trends because consumer behavior is continuously changing. people are hard to contact using conventional marketing techniques. Any startup's success depends heavily on its marketing efforts. By understanding the challenges and taking the right steps, startup founders can effectively market their business and reach their target audience.

Startups frequently struggle to raise the funding required to get started. This can be due to a number of factors, such as the lack of a track record, the high risk associated with startups, and the limited availability of venture capital. Firms often have difficulty managing their cash flow effectively. This may result in issues like late supplier payments, missing payrolls, and even insolvency. Numerous regulatory restrictions that startups must adhere to might be expensive. For startups that are operating in several different jurisdictions, this can be a particularly difficult problem.

The rapid technological change is speeding and accelerating, which can make it challenging for startups to keep up. This can be a challenge for startups that are developing new products or services, as they need to ensure that their products are compatible with the latest technologies. Cyberattacks are becoming more and more likely to target startups. This is due to the fact that they frequently lack the funding to invest in cyber security measures. Numerous data privacy laws, including the General Data Protection Regulation (GDPR), must be followed by startups. For startups that are gathering and using personal data, this might be difficult.

Startups frequently struggle to draw in and keep talented employees. This is because they often offer lower salaries and fewer benefits than established companies. The increasing culture of remote working can become a big challenges for startups. This is because they need to find ways to effectively manage a team of employees who are working from different locations. To draw and keep great personnel, startups must have a strong corporate culture. For startups that are still in the beginning stages of growth, this might be difficult.

CONCLUSION

Witnessing the importance and growth of start-up entrepreneurs in the entire world as well as in India. The entrepreneurial ecosystem is also developing in India. The government initiatives such as start-up India scheme, digital India, Atal incubation mission etc. are activated for all types of support for budding entrepreneurs. But still, it is difficult for many of them to sustain and survive in the market and they are continuously struggling for their survival. It was found in the study that still in the shadow of eco system the start-up entrepreneurs are meeting out some major challenges such as marketing related challenges, financial challenges, technological and human resource challenges. Startup business owners confront numerous difficulties, but they are not insurmountable. Startup founders can raise their chances of success by being aware of the difficulties and taking action to reduce their risks. to deal with the difficulties that new business owners experience. Venture capitalists should be more willing to invest in early stage startups. Universities and Colleges should provide more training and support for entrepreneurs. Startup accelerators and incubators should be more accessible to startups. Startup founders should network with other entrepreneurs and build a strong support network. By taking these steps, we can help to create a more supportive environment for startup entrepreneurs and increase the chances of their success.

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