



Financial Operational And Regulatory Challenges Of Startups In India

Dr. Jayashree C¹, Vishnu Anusha², Angelo Jose³, Kavya Mishra⁴, Disha Jain⁵

¹Assistant Professor, School of Humanities and Social Sciences, Jain (Deemed-to-be University), Bengaluru, Karnataka – 560069, India

^{2,3,4,5}UG, School of Humanities and Social Sciences, Jain (Deemed-to-be University), Bengaluru, Karnataka – 560069, India

Emails: jayashree.c@jainuniversity.ac.in¹, 23bar07011@jainuniversity.ac.in²,
23bar07013@jainuniversity.ac.in³, 23bar07014@jainuniversity.ac.in⁴, 23bmsr0370@jainuniversity.ac.in⁵

Abstract

This study examines the financial, operational, regulatory, and psychological challenges faced by startups in India, which play a crucial role in driving innovation, employment, and economic growth (NASSCOM, 2023). Despite their significance, early-stage ventures encounter multiple structural and functional barriers that affect their sustainability and long-term success (Korreck, 2019). The research is based on primary data collected through a structured questionnaire administered to 30 startup founders across diverse sectors, including technology, education, healthcare, and e-commerce (Creswell, 2014). A descriptive analytical approach was adopted to interpret the data and identify key patterns (Saunders et al., 2019). The findings reveal that funding constraints remain the most critical challenge, followed by high operational costs and difficulties in customer acquisition (CB Insights, 2021). Startups also face limitations in accessing skilled human resources, which impacts their efficiency and scalability (NSDC, 2022). Regulatory compliance emerges as another significant barrier, with many respondents highlighting the complexity of procedures and lack of clarity in implementation (OECD, 2021). Furthermore, the study identifies a gap between government policy initiatives and their practical accessibility for early-stage entrepreneurs (Startup India, 2022). In addition to structural challenges, the study highlights the psychological pressures associated with entrepreneurship, including stress, uncertainty, and burnout among founders (Stephan, 2018). These challenges are found to be interconnected, with financial instability intensifying operational and mental strain. The study concludes by recommending improved access to early-stage funding, simplification of regulatory frameworks, enhanced mentorship support, and stronger skill development initiatives to promote sustainable growth in India's startup ecosystem (World Bank, 2020).

Keywords: -Startups in India, Entrepreneurial Challenges, Startup Ecosystem, Financial Constraints, Regulatory Environment, Founder Well-being

1. Introduction

Startups have become one of the most powerful driving forces behind economic development and innovation in India (NASSCOM, 2023). Over the last decade, the country has witnessed the rise of technology driven enterprises, digital platforms, and creative solutions that have reshaped markets and consumer behavior. Despite this rapid growth, startups continue to face significant challenges that hinder their ability to survive and scale. Limited access to early-stage funding, difficulties in acquiring customers, skill shortages, and high levels of competition make it difficult for young firms to build stable revenue streams (CB Insights, 2021).

Furthermore, navigating India's complex regulatory environment, managing compliance requirements, and dealing with bureaucratic delays pose additional burdens. Beyond operational challenges, the personal lives of founders are also deeply affected, as long working hours, uncertainty, and financial pressure increase stress levels. This research aims to analyze these multifaceted challenges through primary data gathered directly from entrepreneurs.

2. Review Of Literature

Various studies which address the issues of Startup companies in India are considered for the review of literature (Korreck, 2019; NASSCOM, 2023). As per

Goel (2018), several challenges and issues have been identified, including cultural and awareness-related barriers, social issues, technological infrastructure constraints, financial limitations, sustainability concerns, and regulatory challenges (Goel, 2018; OECD, 2021). Sharifi & Hossain (2015) stated that startups in India face many financial challenges, especially in the initial stages (Sharifi & Hossain, 2015; World Bank, 2020). They found that rapid technological[1] changes have made investors more selective (CB Insights, 2021; OECD, 2021). Therefore, this study aims to understand the major challenges and issues faced by startup companies in India. Korreck (2019) explained that India's startup ecosystem is supported by government initiatives like Startup India (Korreck, 2019; Startup India, 2022)[2]. However, the study also highlights gaps in implementation and accessibility of these programs (OECD, 2021; DPIIT, 2022). Pandey (2023) states that Shows Table 2 Sector Distribution.

3. Research Gap

Most existing studies on startups in India focus mainly on financial or regulatory challenges and are largely based on secondary data. There is limited research that examines multiple challenges together using primary data collected directly from startup founders. Aspects such as operational difficulties and psychological pressures like stress and burnout are often not studied in detail. This study attempts to address this gap by using primary data to analyze financial, operational, regulatory, and personal challenges together, based on the real experiences of startup founders.

4. Objectives Of the Study

The primary purpose of this study is to identify and analyze the major obstacles that startups encounter during their early stages. The research seeks to understand the financial, operational, regulatory, and psychological difficulties that shape the startup ecosystem. It also aims to interpret the experiences of founders from their responses to survey questions and to integrate the statistical trends with deeper narrative insights. Finally, the study aspires to recommend practical measures that can strengthen India's support system for emerging businesses.

5. Methodology

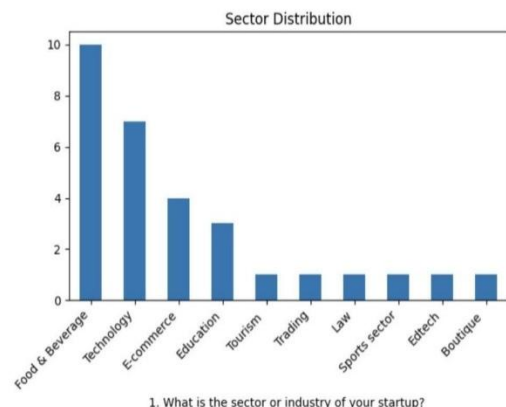
This study is based on primary data collected through a Google Forms questionnaire shared with startup founders and early-stage entrepreneurs. A total of 30 responses were selected for analysis. The respondents belong to different sectors such as technology, education, healthcare, and e-commerce, with most of them running[3] startups in the early stages (NASSCOM, 2023; Startup India, 2022). A convenience sampling method was used (Etikan et al., 2016; Bryman, 2016), and the questionnaire included both multiple-choice and open-ended questions. The data was analyzed using basic charts and simple interpretation to identify common patterns and challenges[4] (Saunders et al., 2019; Creswell, 2014). Since the sample size is small and not randomly selected, the findings may not represent all startups, and the responses are based on individual perceptions (Bryman, 2016; OECD, 2021). Shows Table 1 Customer Acquisition Difficulty[5]

Table 1 Customer Acquisition Difficulty



10. How difficult is it for your startup to reach and retain customers?

Table 2 Sector Distribution



1. What is the sector or industry of your startup?

Table 3 Startups

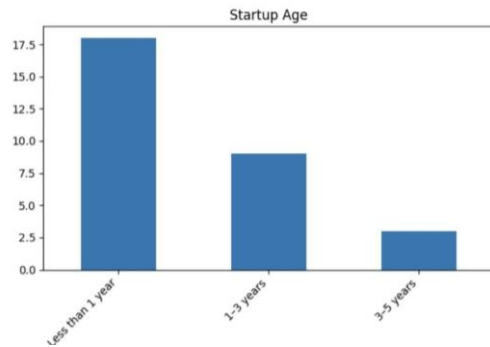
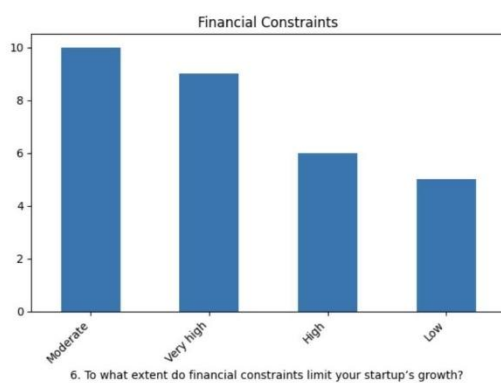


Table 4 Final Constraints



of founders reported moderate to high financial pressure. Many respondents also mentioned in open-ended responses that they struggle with managing operational costs and sustaining their business without external funding. Customer acquisition emerges as another major challenge. From the responses, it is evident that startups face difficulty in building trust and visibility, especially in the early stages. Some respondents mentioned that high competition and limited marketing budgets make it difficult [8 – 12] to reach customers effectively. The issue of skilled labour is also evident from the data. Several respondents indicated that they face difficulty in hiring employees with the required practical skills. This suggests a gap between industry requirements and available talent. The findings related to stress and pressure are also supported by responses from founders. A number of respondents reported experiencing frequent stress due to long working hours, financial uncertainty, and responsibility of managing the business. This shows that startup challenges are not only economic but also personal in nature. Overall, the discussion shows that these challenges are interconnected. Financial constraints limit hiring and marketing efforts, which in turn affects customer acquisition and growth. This creates a cycle that increases pressure on founders and affects the sustainability of startups.

Conclusion

This study highlights the multidimensional challenges faced by startups in India, particularly in their early stages of development. Based on primary data collected from startup founders across various sectors, it is evident that financial constraints remain the most critical barrier, limiting the ability of startups to sustain operations and scale effectively. High operational costs, difficulties in customer acquisition, and intense market competition further compound these challenges. The findings also reveal that startups struggle with limited access to skilled human resources and face complexities in complying with regulatory requirements. Despite the presence of government initiatives aimed at promoting entrepreneurship, a gap persists between policy provisions and their practical accessibility for startups. In addition to these structural issues, the

6. Results And Discussion

Results

The analysis of responses from 30 startup founders reveals clear patterns across different areas. A majority of the startups belong to the technology sector, and most of them are less than three years old, indicating that [6] they are in the early stages. Most startups operate with small teams of 1–5 members. In terms of funding, a large number of respondents reported relying on self-funding or personal savings. The chart on financial constraints (page 3) shows that most respondents rated financial pressure as moderate to high, indicating that funding is a major concern. The chart on customer acquisition difficulty (page 3) shows that many respondents find it difficult to attract [6] and retain customers, especially in competitive markets. Similarly, several respondents indicated challenges in finding skilled employees, which affects day-to-day operations [7].

Discussion

The results clearly indicate that financial constraints are the most significant challenge faced by startups. This is supported by the responses where a majority



study brings attention to the psychological pressures experienced by founders, including stress, uncertainty, and burnout, which significantly affect decision-making and overall performance. Overall, the study concludes that startup challenges are deeply interconnected, with financial limitations intensifying operational inefficiencies and psychological stress. Addressing these issues requires a holistic approach involving simplified regulatory frameworks, improved access to funding, enhanced mentorship support, and stronger skill development initiatives. By bridging these gaps, India can create a more supportive and sustainable startup ecosystem, enabling entrepreneurs to contribute more effectively to economic growth and innovation.

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