



# A STUDY ON FINANCIAL PROBLEMS FACED BY NEW START-UP AND YOUNG ENTREPRENEURS IN INDIA

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**Abstract:** In my research paper, I conducted a study on the financial problems faced by new start-ups and young entrepreneurs in India. The aim was to understand the challenges they encounter when it comes to securing funding and managing their finances. Through interviews and surveys, I gathered valuable insights into the common financial hurdles faced by these entrepreneurs. Some of the key findings include the difficulty in accessing traditional sources of funding such as bank loans, high interest rates, lack of collateral, and limited credit history. Additionally, the study highlighted the importance of financial literacy and the need for better access to financial education and resources for young entrepreneurs. Many of them expressed the need for mentorship and guidance in financial planning, budgeting, and investment strategies. The research paper provides recommendations for addressing these challenges, including the promotion of alternative funding options like venture capital, angel investors, and crowdfunding platforms. It also emphasizes the role of government initiatives and policies in creating a supportive ecosystem for start-ups and young entrepreneurs. Overall, this study sheds light on the financial problems faced by new start-ups and young entrepreneurs in India and offers insights and recommendations to help them navigate these challenges more effectively.

**Keywords:** new start-ups, challenges, financial problems, young entrepreneurs

**Introduction:** Starting a new business venture can be an exhilarating and challenging journey, especially for young entrepreneurs in India. While their innovative ideas and passion drive them forward, they often encounter various financial obstacles that hinder their progress. In this study, we delve into the financial problems faced by these new start-ups and young entrepreneurs, aiming to understand the key challenges they encounter in securing funding and managing their finances effectively.

India, with its vibrant start-up ecosystem, has seen a surge in entrepreneurial activity in recent years. However, despite the growing opportunities, many young entrepreneurs struggle to access the necessary financial resources to fuel their ventures. This study seeks to shed light on the specific financial hurdles they face and explore potential solutions to address these challenges.

The primary focus of this research is to identify the major obstacles that hinder young entrepreneurs from obtaining traditional sources of funding, such as bank loans. We aim to uncover the underlying reasons for this difficulty, including high interest rates, lack of collateral, and limited credit history. By understanding these barriers, we can propose strategies to improve access to capital for aspiring entrepreneurs.

Additionally, this study recognizes the importance of financial literacy and its impact on the financial well-being of start-ups. Many young entrepreneurs lack the necessary knowledge and skills to effectively manage their finances, leading to potential pitfalls and setbacks. We aim to highlight the need for financial education and mentorship programs that can equip these entrepreneurs with the tools and knowledge to make informed financial decisions.

Furthermore, this research explores alternative funding options that can provide a lifeline to young entrepreneurs. We examine the role of venture capital, angel investors, and crowdfunding platforms in bridging the funding gap and facilitating the growth of start-ups in India.

Lastly, this study acknowledges the role of government policies and initiatives in creating a supportive ecosystem for new start-ups and young entrepreneurs. By analysing existing policies and identifying potential areas for improvement, we can propose recommendations to foster an environment that nurtures entrepreneurial success.

Through this research, we hope to contribute to the understanding of the financial challenges faced by new start-ups and young entrepreneurs in India. By identifying these obstacles and presenting potential solutions, we aim to empower aspiring entrepreneurs and create a more inclusive and supportive environment for their success.

### Objectives:

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

### REVIEW OF LITERATURE:

1. Prakash, Goyal (2011) Researchers discuss many causes including: Successful entrepreneurs have a lot to offer: education, support from family members, success stories from family and friends, etc. They also face numerous problems, such as family responsibilities, lack of self-confidence, and old and outdated societal ideas that discourage women from marrying. I'm starting a company. A plan to promote women's entrepreneurship was also launched.
2. Teacher. Archana Surywanshi (2013) In the article "HR "Challenges in a Startup" shows the challenges today's managers face numerous challenges in this competitive world arising from globalization,

Privatization and Legal together to choose the law Candidates at the right time and in the right place. And they have to adopt changes in your work environment and work culture and is expected to maintain a steady loss while focusing on it organizational pressures, economic and professional changes, talent Management and development, innovation development, etc.

3. According to Ashish Mittal (2014), he says: The starting points are culture, leadership, policy, engagement and discovery. Opportunity and amount are divided. Population, high rate of mobile penetration.
4. B.V. Naidu (2017), "Challenges and results, how "The Indian startup ecosystem thrived in 2017." Pros and Cons Incubators, accelerators and technology are growing rapidly. benefits, high state support, low staffing levels; Impact of GST on Entrepreneurs etc.
5. According to the article "Challenges and Opportunities" 'Indian Startups' was published in the Financial Express in January February 27, 2017 the Indian government is leaving no stone unturned Provide the best growth opportunities to startups, Shine on the market.

### Research Methodology:

To start, we need to clearly define the objective of the study. This means understanding the specific financial challenges that new startups and young entrepreneurs in India are facing. Next, we should review the existing literature on startup finance and entrepreneurship in India. This will help us build a solid foundation of knowledge and identify any gaps in the research. Once we have a good understanding of the topic, we can decide on the research design. This could involve using different methods like surveys, interviews, or even analysing case studies to gather data. After that, we need to figure out who we want to study. This means defining the target population, which in this case would be new startups and young entrepreneurs in India. We also need to determine the sample size and how we'll select the participants to make sure our findings are representative. Now comes the data collection phase. We can use various methods like online surveys, face-to-face interviews, or even group discussions to gather the necessary information. Once we have all the data, we need to analyse it. This could involve using different techniques depending on the type of data we collected. For example, we might use qualitative analysis to identify themes or quantitative analysis to look for statistical patterns. Throughout the entire research process, it's important to consider ethical guidelines. This means obtaining informed consent from participants, protecting their confidentiality, and ensuring the research is conducted in an ethical manner. Finally, we can present our findings and draw conclusions. We should summarize the key insights we discovered and provide recommendations on how to address the financial problems faced by new startups and young entrepreneurs in India.

### Scope of Study:

1. Investigate the specific financial challenges faced by new startups and young entrepreneurs in India.
2. Explore the impact of a lack of access to capital on the growth and sustainability of startups.
3. Analyse the reasons behind high interest rates and their effects on the financial health of startups.
4. Examine the effectiveness of government support programs and policies in addressing the financial needs of startups.

5. Assess the level of financial literacy among young entrepreneurs and its influence on their financial decision-making.
6. Investigate the factors that hinder startups from attracting investors and explore potential solutions.
7. Study the strategies and best practices for managing cash flow in the early stages of a startup.
8. Explore the availability and effectiveness of mentorship programs for young entrepreneurs in India.

#### Limitation of the Study:

1. Limited sample size
2. Time constraints
3. Lack of generalizability to other countries or regions
4. Potential for response bias in survey-based research
5. Difficulty in obtaining accurate financial information from startups
6. Lack of control over external factors that may impact financial problems
7. Inability to account for regional variations in financial challenges
8. challenges in identifying the root causes of financial problems faced by startups
9. Limited access to in-depth qualitative data for a comprehensive analysis

#### Research gaps:

1. Lack of in-depth research on specific financial challenges.
2. Limited understanding of funding sources and accessibility for startups.
3. Need to explore the impact of government policies on startup financing.
4. Research gap in financial literacy and education among entrepreneurs.
5. Importance of mentorship and support networks in addressing financial challenges.
6. Gender-based disparities in accessing financial resources and support.
7. Influence of cultural factors on financial problems faced by startups.

#### Challenges faced by new start-ups and young entrepreneurs in India

1. **Lack of Access to Capital:** Many new start-ups and young entrepreneurs struggle to secure funding to launch and grow their businesses. Explore the challenges they face in accessing traditional sources of capital like banks and venture capitalists.
2. **High Costs of Doing Business:** Start-ups often face high operational costs, including office space, equipment, and marketing. Investigate how these costs impact their financial stability and ability to compete in the market.
3. **Limited Financial Management Skills:** Young entrepreneurs may lack experience and knowledge in financial management, leading to difficulties in budgeting, cash flow management, and financial planning. Examine the impact of this lack of expertise on their businesses.



4. **Regulatory and Compliance Burdens:** Start-ups often face complex legal and regulatory requirements, which can be costly to navigate. Look into the financial implications of compliance and regulatory burdens on new businesses.
5. **Limited Access to Mentoring and Support:** Many young entrepreneurs lack access to experienced mentors and support networks, which can hinder their ability to make informed financial decisions. Explore the impact of this lack of guidance on their financial challenges.
6. **Market Volatility and Competition:** Start-ups operate in a dynamic and competitive market, which can lead to financial instability. Investigate how market volatility and competition affect the financial health of new businesses.
7. **Limited Access to Mentorship and Networking Opportunities:** Explore how the lack of mentorship and networking opportunities can impact the financial success of new start-ups and young entrepreneurs. Investigate the role of mentorship programs, incubators, and accelerators in addressing this challenge.
8. **Difficulty in Scaling Operations:** Scaling a start-up requires significant financial resources. Examine the challenges faced by new businesses when it comes to scaling their operations and the financial implications of this process.
9. **Economic and Political Factors:** Investigate how economic factors, such as inflation and currency fluctuations, as well as political factors, such as government policies and regulations, can impact the financial stability of start-ups in India.
10. **Limited Market Access:** Many start-ups struggle to penetrate existing markets or access new markets due to various barriers. Explore the financial challenges associated with limited market access and the strategies employed by entrepreneurs to overcome these barriers.
11. **Lack of Financial Infrastructure:** Analyse the impact of inadequate financial infrastructure, such as limited access to banking services, credit facilities, and digital payment systems, on the financial struggles faced by new start-ups and young entrepreneurs.
12. **Cultural Attitudes towards Entrepreneurship:** Investigate how cultural attitudes towards entrepreneurship, risk-taking, and failure can influence the financial challenges faced by new start-ups and young entrepreneurs in India.
13. **Impact of Government Policies and Initiatives:** Explore how government policies, such as taxation, licensing, and regulations, affect the financial viability and growth of new start-ups and young entrepreneurs. Analyse the effectiveness of government initiatives aimed at supporting entrepreneurial ventures financially.
14. **Lack of Collateral and Credit History:** Investigate how the absence of collateral and credit history poses challenges for new start-ups and young entrepreneurs in obtaining loans and credit from financial institutions. Examine alternative financing options available to overcome this issue.
15. **Gender Disparities in Access to Funding:** Study the gender disparities in accessing funding and financial resources for start-ups and young entrepreneurs. Analyse the impact of these disparities on the financial success and growth of women-led businesses.

16. **Role of Technology and Digitalization:** Explore how technology and digitalization have impacted the financial landscape for new start-ups and young entrepreneurs in India. Investigate the opportunities and challenges presented by fintech solutions, crowdfunding platforms, and digital payment systems.
17. **Impact of Economic Downturns:** Examine how economic downturns, such as recessions or market fluctuations, affect the financial stability of new start-ups and young entrepreneurs. Analyse strategies employed by entrepreneurs to navigate these challenging times.
18. **Role of Incubators and Start-up Ecosystems:** Investigate the role of incubators, co-working spaces, and start-up ecosystems in providing financial support, mentorship, and networking opportunities to new start-ups and young entrepreneurs. Evaluate their effectiveness in addressing financial challenges.

### SWOT analysis:

#### Strengths:

1. Relevant and timely topic in the current startup ecosystem.
2. Potential to provide valuable insights for policymakers and stakeholders.
3. Opportunity to contribute to the existing body of knowledge on startup finance.
4. Timeliness: It focuses on current challenges faced by young entrepreneurs.

#### Weaknesses:

1. Limited access to primary data from startups due to confidentiality concerns.
2. Potential bias in self-reported financial information from entrepreneurs.
3. Difficulty in obtaining a representative sample of startups due to their diverse nature.

#### Opportunities:

1. Potential for identifying key financial challenges and recommending targeted solutions.
2. Possibility of influencing policy decisions to support startup growth and sustainability.
3. Opportunity to contribute to the development of financial literacy programs for young entrepreneurs.

#### Threats:

1. Time constraints may limit the depth of analysis and potential for comprehensive findings.
2. Limited resources and access to experts in the field for guidance and validation.
3. Challenges in generalizing findings to other regions or countries.

### Advantages and Disadvantages of financial problems faced by new startups and young entrepreneurs in India:

**Advantages:**

1. **Flexibility:** Limited funds force entrepreneurs to be resourceful and find creative solutions.
2. **Focus on essentials:** Financial constraints help prioritize core business needs and avoid unnecessary expenses.
3. **Stronger financial management skills:** Navigating financial challenges can lead to improved financial acumen.
4. **Opportunity for learning and growth:** Overcoming financial challenges can lead to valuable lessons and skill development.
5. **Increased resilience:** Dealing with financial problems can make entrepreneurs more resilient and adaptable.
6. **Creative problem-solving:** Limited resources can spur innovative thinking and resourcefulness.

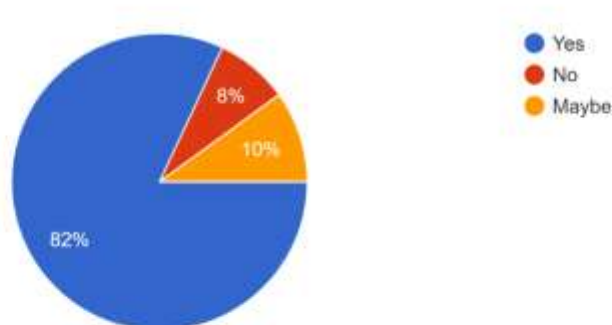
**Disadvantages:**

1. **Limited scalability:** Insufficient funds can restrict the ability to scale operations and reach a larger market.
2. **Increased stress and pressure:** Financial problems can cause significant stress and anxiety for entrepreneurs.
3. **Difficulty attracting investors:** Investors may be hesitant to invest in startups with ongoing financial struggles.
4. **Stifled growth potential:** Lack of financial resources can hinder the growth and expansion of startups.
5. **Increased risk of failure:** Financial problems can increase the likelihood of startup failure.
6. **Limited access to opportunities:** Insufficient funds may limit access to networking, marketing, and talent acquisition.

**Data Analysis RESULTS:**

Do you think startup are really preforming well by young entrepreneur ?

50 responses



**Fig 1**

Generally startup are either acquired or merged with established companies do you think its necessary by young entrepreneur ?

50 responses

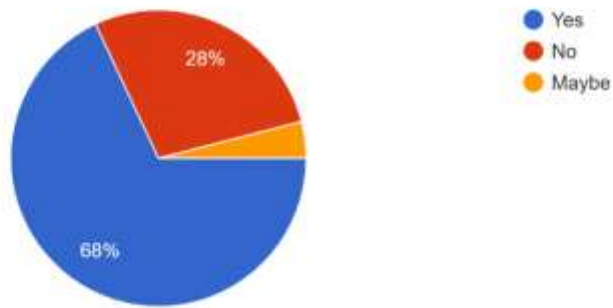
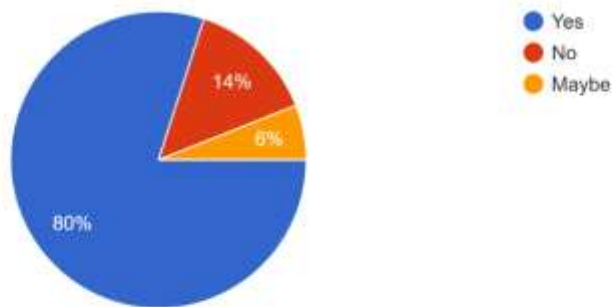


Fig. 2

Almost 80% of startup face legal issues by young entrepreneur ?

50 responses



During and after demonetization many startup faced some allegations do you believe them ?

50 responses

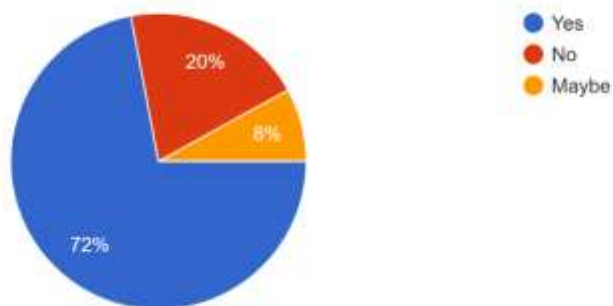


Fig 4



Do you really think education is required to establish a startup or to become a successful entrepreneur ?

50 responses

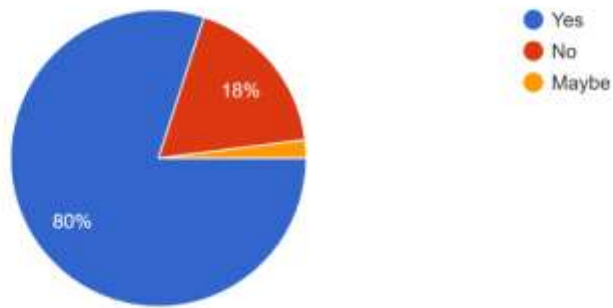


Fig 5

Education or experience which you think really matters for become successful entrepreneur ?

50 responses

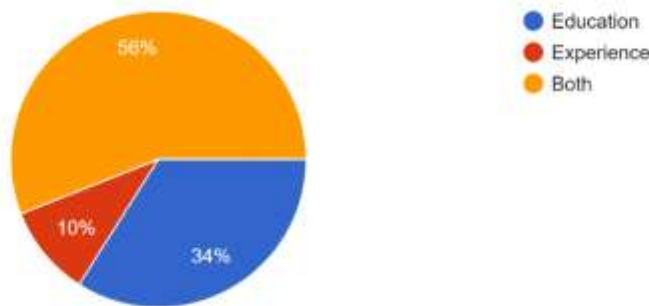


Fig 6

Do you think young entrepreneurs really contributes towards economy and employment ?

50 responses

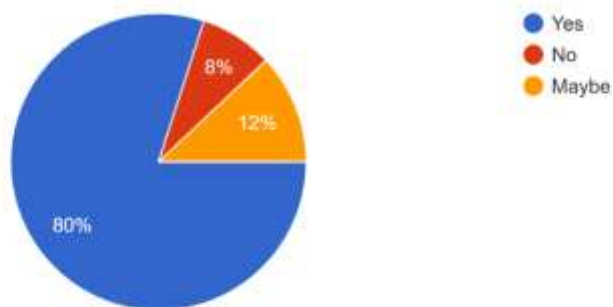


Fig 7

GST adversely effecting startups in all aspects for young entrepreneur?

50 responses

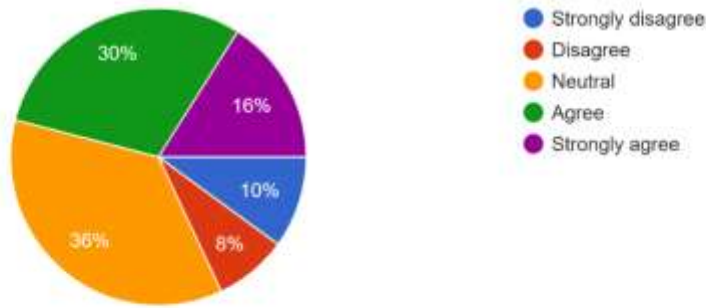


Fig 8

What do you think main factors contributing the success of any startup

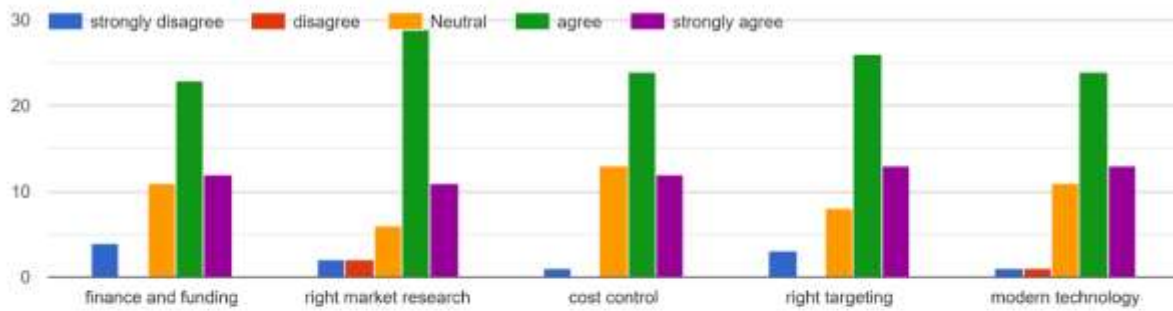


Fig 9

Do you believe startup founders can become a successful entrepreneurs and inspiring leaders ?

50 responses

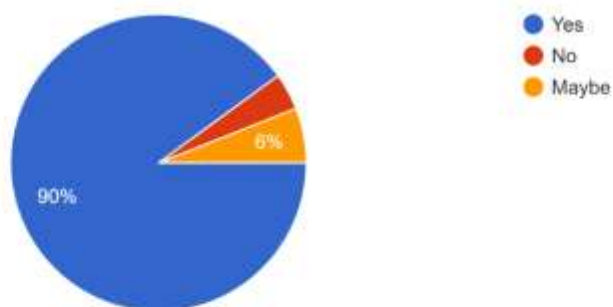


Fig 10

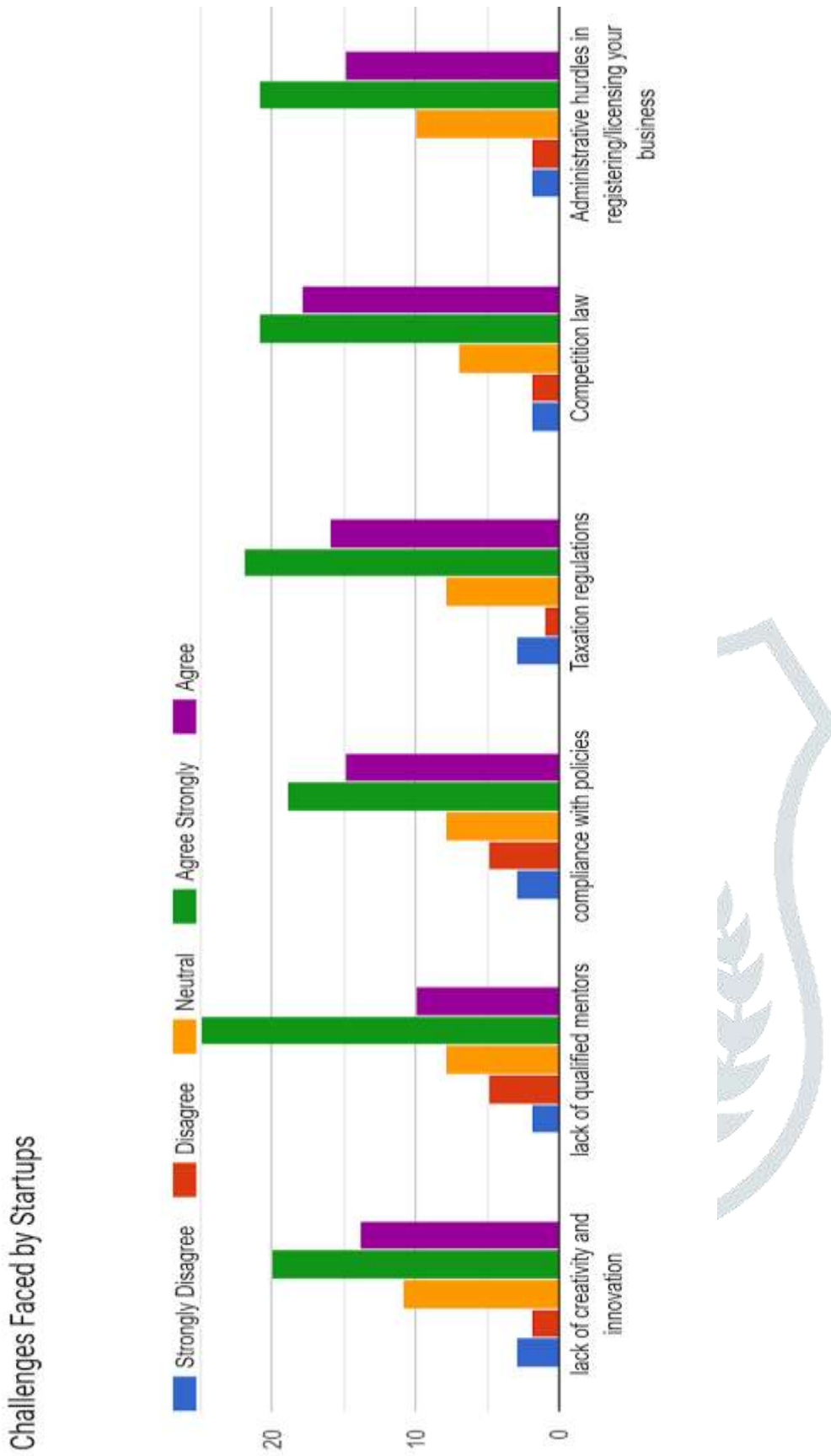


Fig 11

**Conclusion**

1. **Limited access to capital:** One of the primary challenges faced by new start-ups and young entrepreneurs in India is the difficulty in accessing adequate capital and funding. This hampers their ability to grow and expand their businesses.

2. **Government policies play a crucial role:** The study highlights the significant impact of government policies on the financial success of start-ups and young entrepreneurs. Policies that are supportive and conducive to entrepreneurship can help alleviate financial challenges.
3. **Alternative financing options are essential:** The study emphasizes the importance of exploring alternative financing options beyond traditional bank loans and venture capital. Crowdfunding, angel investors, and incubators can provide valuable financial support.
4. **Gender disparities persist:** The study reveals gender disparities in accessing financial resources and funding for start-ups and young entrepreneurs. Efforts should be made to address these disparities and promote gender equality in entrepreneurship.
5. **Technology as a mitigating factor:** Technology plays a crucial role in mitigating financial challenges faced by start-ups and young entrepreneurs. Digital platforms, fintech solutions, and online marketplaces provide opportunities for cost-effective operations and access to a wider customer base.
6. **Successful strategies for overcoming financial obstacles:** The study identifies various strategies employed by successful start-ups to overcome financial challenges. These strategies include bootstrapping, strategic partnerships, and efficient financial management.
7. **Recommendations for improvement:** Based on the study findings, recommendations can be made to improve the financial ecosystem for start-ups and young entrepreneurs. These recommendations may include policy reforms, increased access to mentorship and networking opportunities, and financial literacy programs.

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