

## Navigating Challenges and Issues in Startup Financing: A path Towards Sustainable Growth

Dr. Monica S<sup>1</sup>, Ms. Reny Raphael<sup>2</sup>, Ms. Shalini<sup>3</sup>

<sup>1</sup>Assistant Professor, Department of Commerce, Christ Academy Institute for Advanced Studies, Bangalore.

Email ID: [monica@caias.in](mailto:monica@caias.in)

<sup>2</sup>Assistant Professor, Department of Commerce, Christ Academy Institute for Advanced Studies, Bangalore.

Email ID: [renyraphael@caias.in](mailto:renyraphael@caias.in)

<sup>3</sup>Assistant Professor, Department of Commerce, Christ Academy Institute for Advanced Studies, Bangalore.

Email ID: [shaliniy@caias.in](mailto:shaliniy@caias.in)

Cite This Paper as: Dr. Monica S, Ms. Reny Raphael, Ms. Shalini, (2025) Navigating Challenges and Issues in Startup Financing: A path Towards Sustainable Growth. *Journal of Marketing & Social Research*, 2 (1), 246-250.

### ABSTRACT

Startup are the significant component of the competitive business environment, and also it is the revolutionary move from government of India which helps in fostering innovation, creating the job opportunities and driving economic growth and development. However, securing finance remains one of the vibrant challenges for startups, especially in developing countries like India. This paper explores the various challenges faced by the startup companies in accessing and managing the funds, analyses the key issues in startup financing and also outlines the sustainable growth through strategic solution. By analysing the contemporary case studies, strategic conceptual model for achieving sustainable growth, the paper focuses on the insight of investors, entrepreneurs, and policy makers.

**Keywords:** *Startup, sustainable growth, challenges, issues, startup financing.*

### 1. INTRODUCTION

Prime Minister Narendra Modi took a revolutionary move in promoting innovation and entrepreneurship in India on January 16, 2016, the year acknowledges the importance of introducing the Startup India program. It was created to help entrepreneurs deal with important issues like lack of support networks, bureaucratic roadblocks, and financial limitations. The program's goal was to establish a strong ecosystem that promotes innovation, propels the creation of jobs, and supports the economic expansion of the country. Before 2016, the whole entrepreneurial scene was suppressed by complicated regulations, bureaucratic obstacles and restricted access to resources, even if several businesses, like Flipkart, Zomato, and Ola, had started to make waves. The establishment of Startup India brought with it a clear action plan that prioritized three main areas: finance support, industry-academia cooperation, and simplification and handholding. The program gathered steam between 2016 and 2020, when the government formally acknowledged more than 34,000 companies. During this time, Tier II and Tier III cities played a major role in the growth of startups in a variety of industries, including technology, healthcare, agritech, and fintech. Additionally, India started to position itself as a global center for startups, growing to become the world's third-largest startup ecosystem. The program's success in encouraging creativity and entrepreneurship was highlighted by the emergence of unicorns during this period.

The initiative gained more momentum after 2020, particularly during the COVID-19 pandemic, which highlighted the value of innovation in tackling global issues. In 2021, programs like as the Startup India Seed Fund Scheme were introduced, offering ₹945 crores to assist entrepreneurs in their early stages. Additionally, the government prioritized digitization and the promotion of healthcare, education, and logistics solutions. The program's significant influence on the startup ecosystem was demonstrated by India's celebration of reaching the milestone of 100 unicorns by 2022. In order to ensure growth even in remote areas, governments were further urged to establish favourable startup environments with the introduction of the State Startup Rankings, with more than 98,000 accredited businesses fostering innovation, job creation, and economic growth, Startup India today serves as a tribute to India's entrepreneurial spirit. Although there are still issues, such as bridging policy-execution gaps and funding accessibility in rural areas, the program has set a solid basis for India's rise to prominence as a global startup powerhouse. India is positioned to lead innovation globally with sustained government assistance and a cooperative ecosystem



### **OBJECTIVES OF THE STUDY**

To study the various challenges faced by startup companies in accessing and managing the funds.

To know the key issues in startup financing.

To suggest strategic path towards sustainable growth.

### **2. REVIEW OF LITERATURE**

- **Calopa (2013)** The author explores bootstrapping as an innovative financing approach for startups, aiming to analyse its effectiveness as a primary funding method. The research objectives include identifying various financing sources for entrepreneurs and investigating the nuances of bootstrapping as a viable alternative. The study adopts a conceptual framework, relying on secondary data from journals, theses, and online resources to substantiate its findings. While this methodology provides a broad overview, it is limited by the absence of primary empirical data, which restricts direct insights into real-world applications. The findings emphasize the strategic benefits of bootstrapping, such as maintaining ownership, cost control, and operational independence, while also addressing its challenges, including financial risks and slow growth. The paper concludes that bootstrapping can be a practical yet demanding financial strategy, requiring entrepreneurs to adopt disciplined financial practices and innovative resource management.
- **Gheribi (2018)** The study aimed to analyse the financial structure of Polish start-ups between 2015 and 2017, focusing on their sources of financing and the factors influencing their development. The research employed qualitative methods, leveraging secondary data from reports by the Startup Poland Foundation. The sample consisted of start-ups operating within Poland during the study period. Data analysis utilized descriptive methods, with findings presented through graphs and figures. A key limitation of the study was its reliance on secondary data, which may not capture real-time challenges faced by start-ups. The findings revealed that Polish start-ups predominantly rely on traditional and informal funding sources, including personal funds and public subsidies, with limited contributions from venture capital and business angels. The study concluded that while the Polish start-up ecosystem is evolving, it remains far behind mature ecosystems like Silicon Valley, indicating the need for enhanced private equity investments and supportive infrastructure for innovative ventures.
- **Aditi (2023)** The study examines the evolution of the Indian startup ecosystem, focusing on its growth, contribution to the economy, and government support initiatives. The research adopts a descriptive methodology based on secondary data sources, including reports, government publications, and online resources. While no specific sample size is mentioned, the analysis draws from extensive datasets and historical events related to Indian startups. The tools for analysis include descriptive statistical representation and qualitative interpretation of growth patterns and policy impacts. A limitation of the study is the absence of primary data and case studies, which could provide deeper insights. The findings highlight India's rapid emergence as the world's third-largest startup ecosystem, with significant contributions to job creation, innovation, and economic growth. The study also notes diversification across sectors, such as fintech, healthcare, and edtech, supported by initiatives like Startup India and Digital India. The conclusion emphasizes the ecosystem's promising trajectory, though challenges like funding access and infrastructure development remain areas for improvement.
- **Rajguru (2024)** The study focuses on bootstrapping as an innovative source of financing for startups, aiming to explore its effectiveness and the strategies for resource mobilization during the initial stages of business development. The research is conceptual in nature, relying on secondary data collected from journals, theses, and online resources. No specific sample size is mentioned as it does not involve primary data collection. The analysis emphasizes descriptive insights into bootstrapping methods, including internal resource utilization, social collaboration, and leveraging quasi-market opportunities. Limitations of the study include its conceptual framework, which lacks empirical validation and real-world case studies. The findings highlight that bootstrapping offers entrepreneurs financial independence, faster decision-making, and cost control, but it also comes with challenges such as financial risk, dependency on customer revenue, and slow business growth. The conclusion underlines that while bootstrapping is a viable option for initial funding, it requires disciplined financial management and strategic planning to mitigate associated risks and ensure long-term sustainability.
- **Nehra (2023)** The study examines the startup financing landscape in India, focusing on growth patterns, funding stages, and government initiatives. The objective is to assess the effectiveness of funding mechanisms and the role of government programs like Startup India in overcoming funding bottlenecks for startups. The research employs a descriptive methodology based on secondary data from government reports, journals, and online resources. As it is conceptual, no sample size or primary data collection is involved. The analysis categorizes funding stages into self-funding, seed funding, venture capital, and bridge funding, highlighting challenges such as limited early-stage funding, revenue generation issues, and a lack of mentorship. A key limitation of the study is its reliance on secondary data, which does not provide firsthand insights or empirical validation. The findings reveal significant funding concentration in IT and finance sectors, leaving social sectors underfunded. The study concludes that while government initiatives have boosted startup growth, addressing challenges like access to capital and industry



diversification remains crucial for fostering a more inclusive ecosystem.

- **Gayatri (2024)** The study examines the financial problems faced by new startups and young entrepreneurs in India, with the objective of identifying key challenges related to funding and financial management. The research methodology includes data collection through interviews and surveys, with a focus on understanding the difficulties in accessing capital, the impact of government policies, and the need for financial literacy. The sample size is not explicitly mentioned, but the study includes insights gathered from young entrepreneurs. The analysis highlights issues such as the difficulty in securing traditional funding sources, high interest rates, lack of collateral, and inadequate financial education. A limitation of the study is the potential for response bias in the survey-based research and the lack of a representative sample. The findings emphasize the importance of exploring alternative funding options like venture capital, angel investors, and crowdfunding, as well as the role of government initiatives in creating a supportive ecosystem. The conclusion suggests that addressing gender disparities, improving financial literacy, and enhancing mentorship programs can help alleviate financial challenges for startups and young entrepreneurs in India.

### 3. RESEARCH METHODOLOGY

The Study Is Based On the Secondary Sources Like Research Papers, Text Books, Journals, News Articles, E-Resources

#### *Various Challenges and Issues Faced by Startup Companies in India*

**Access to Capital** Securing Initial Funding Is Often the Most Significant Hurdle for Startups. Limited Access to Angel Investors, Venture Capitalists, Or Bank Loans Creates A Financial Bottleneck, Particularly In Underserved Regions Or For Less Established Founders.

**High Risk Perception** Startups are inherently risky ventures, often operating without a proven track record or collateral. Investors may hesitate to commit, leading to a lack of funding for even the most innovative ideas.

**Funding Gaps Across Stages** Startups often face financing gaps at different stages of growth. While seed funding may be available, Series A, B, or C funding rounds can be challenging to secure, slowing down scaling efforts.

**Economic Volatility** Macroeconomic factors, such as inflation, interest rate fluctuations, or global economic downturns, significantly impact the availability of funds and investor sentiment.

**Regulatory Barriers** Complex regulatory environments, tax structures, and compliance requirements create additional burdens for startups seeking funding, particularly in emerging economies.

#### **KEY ISSUES IN STARTUP FINANCING**

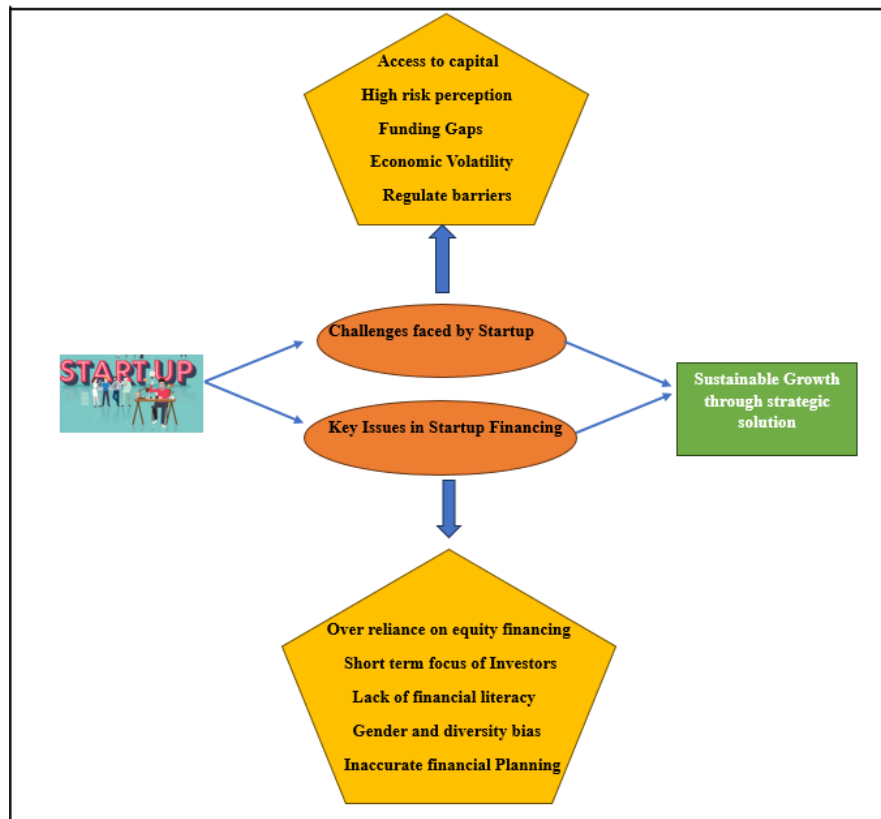
**Overreliance on Equity Financing** Many startups depend heavily on equity financing, which can dilute ownership and lead to potential conflicts with investors. Exploring alternative financing options, such as debt or revenue-based financing, remains underutilized.

**Short-term Focus of Investors** Investors often prioritize quick returns, pressuring startups to focus on short-term goals at the expense of long-term sustainability.

**Lack of Financial Literacy** Entrepreneurs frequently lack the necessary financial acumen to manage funds effectively, leading to mismanagement and inefficiencies.

**Gender and Diversity Bias** Women-led startups and those founded by underrepresented groups face additional challenges in securing financing due to inherent biases in the investment ecosystem.

#### **STRATEGIC CONCEPTUAL MODEL ON ACHIEVING SUSTAINABLE GROWTH**



The strategic conceptual model on achieving sustainable growth explains about are the various challenges faced by the startup companies and also analysis the key issues in startup financing, addressing these challenges a business can achieve sustainable growth through strategic solutions such as diversifying the funding sources, receiving government incentive, focusing on green supply chain, waste management, social responsibility, going for public private partnership, technological adoption, having a robust business plan, innovation in generation ideas for the business. India’s fintech startups, such as Razor pay and Paytm, have demonstrated unique ways of procuring the funds through strategic partnership, venture capital, government backed schemes

**SUGGESTION FOR NAVIGATING FINANCIAL CHALLENGES**

**Diversified Funding Sources** Startups should explore a mix of funding sources, including bootstrapping, grants, crowdfunding, and venture debt, to reduce dependence on equity financing.

**Building Investor Confidence** Transparency, robust business models, and demonstrating a clear path to profitability can help build investor trust and mitigate risk perceptions.

**Financial Education for Entrepreneurs** Providing financial literacy programs and mentorship for entrepreneurs can equip them to make informed financial decisions and optimize resource allocation.

**Policy Interventions** Governments can play a pivotal role by creating startup-friendly policies, offering tax incentives, and simplifying regulatory frameworks to attract investment.

**Promoting Inclusive Financing** Encouraging diversity in funding decisions and creating dedicated funding pools for women and minority-led startups can help bridge the equity gap.

**4. CONCLUSION**

Startup companies in India face a various challenge despite the government's support and the booming entrepreneurial ecosystem. Access to funding remains a significant hurdle, especially for early-stage startups and those in Tier II and Tier III cities, as venture capitalists and angel investors often prioritize established urban markets. Additionally, navigating through complex regulatory and compliance requirements, despite efforts to simplify processes, can be time-consuming and resource-intensive, particularly for small startups with limited manpower. Another major issue is the lack of skilled talent, as startups often struggle to attract and retain professionals due to stiff competition from larger, well-established companies. Growth is further impeded by issues including a lack of a strong mentorship network and poor infrastructure, especially in rural and semi-urban areas. Intense market rivalry, disjointed supply chains, and erratic customer needs all make it challenging for startups to grow their companies. These issues may be made worse by outside variables including unstable



economies, high taxation, and restricted access to international markets. Last but not least, it is still difficult to promote an innovative and entrepreneurial culture in less developed areas since standard professional paths are frequently preferred over riskier endeavors due to societal and cultural views. When taken as a whole, these problems create challenges that many entrepreneurs, policy makers, Investors must overcome in order to prosper in India's fast-paced economic climate.

#### REFERENCES

- [1] Klačmer Čalopa, M., Horvat, J., & Lalić, M. (2014). Analysis of financing sources for start-up companies. *Management: journal of contemporary management issues*, 19(2), 19-44.
- [2] Sharma, S., Raj, M., & Gandhi, T. (2020). Challenges and issues faced by startup companies in India. In *InSixteenth AIMS International Conference on Management ISBN* (pp. 978-1).
- [3] Gheribi, E., Klemens, A., Klepacz, M., & Kotnicka, A. (2018). Analysis of Financing Sources for start-up Companies. *Social capital*, 1, 5.
- [4] Dr Shivaprakash JS, E Aditi. (2023). The Evolution of the Indian Startup Ecosystem. *IOSR Journal of Economics and Finance (IOSR-JEF)* e-ISSN: 2321-5933, p-ISSN: 2321-5925. Volume 14, Issue 2 Ser. III
- [5] Meenakshi Chawla, (year not mentioned). A REVIEW PAPER ON INDIAN STARTUPS - ISSUES, CHALLENGES AND OPPORTUNITIES.
- [6] Dr Preethi Raguru, (2024). BOOTSTRAPPING: AN INNOVATIVE SOURCE OF STARTUP FINANCING. *IJCRT | Volume 12, Issue 2 February 2024 | ISSN: 2320-2882*
- [7] Andaleeb, U., & Singh, S. D. (2016). A study of Financing Sources for Start-up Companies in India. *International Review of Business and Finance*, 8(1), 1-4.
- [8] Jaideep Nehra, Nikita Choudhary (2023). Start-up Financing in India: Challenges and Initiatives. (ISSN-2349-5162), Volume 10, Issue 4.
- [9] Gayatri. Dilip. Gohil (2024), A STUDY ON FINANCIAL PROBLEMS FACED BY NEW START-UP AND YOUNG ENTREPRENEURS IN INDIA. (ISSN-2349-5162) Volume 11, Issue 2

