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Challenges of Startup India in Economic Development of India

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Abstract

Startup India represents a flagship initiative by the Government of India aimed at fostering startups and promoting innovation. This initiative seeks to empower entrepreneurial ventures to enhance entrepreneurship, stimulate economic growth, and create employment opportunities throughout India. The term 'startup' has become increasingly prevalent in today's world, significantly influencing the nation's economy. Individuals with innovative ideas are launching their startups with minimal resources. Once a startup gains societal acceptance, it plays a substantial role in the economic development of the country. Therefore, this study aims to explore the contributions of startups to economic growth. The research's objective is to investigate the various challenges and issues encountered by startups in their early stages, to understand the initiatives implemented by the Government for Startup India, and to analyze the impact of startups on the economic development of a developing nation. The paper addresses several issues and challenges that Indian startups face within the current ecosystem.

Keywords: Indian Startups, Startups Innovations, Challenges and Issues, Digital Marketing, Social Media Marketing

Introduction

India is classified as a developing nation with a mixed economy, making it crucial to enhance the Indian economy for national growth. It is essential for India to achieve self-sustainability across various sectors, including healthcare, education, and technology; thus, the role of startups becomes vital. Consequently, the government is implementing numerous initiatives to support startups. Various policies have been introduced by the government to facilitate a favourable business environment for these emerging enterprises. Research indicates that India requires over 100 million new jobs annually, and while startups may be small-scale businesses, they significantly contribute to job creation in the country. The creation of more jobs leads to increased income for individuals, which in turn fosters a more robust economy. The economy of each nation relies on its citizens. The greater the number of employed individuals, the stronger the economy. The Indian Government has recognized that the people of India possess the potential for hard work; all they require is a promising startup opportunity. Many individuals aspire to launch their own businesses, but financial constraints or similar challenges often hinder them. Therefore, under the leadership of Narendra Modi, the Indian Government has chosen to introduce a nationwide initiative – "Startup India."

The Indian economy has gained from the rapid growth of startup activity within the country. Moreover, startups are beginning to extend their benefits beyond conventional locations into regional economies. These startups are disrupting established business models and generating new markets. In this manner, they can serve as catalysts for innovation and collaboration throughout India's business ecosystems.

Concept of startup India:

Startup India is a significant initiative launched by the Government of India on January 16, 2016, with the objective of promoting entrepreneurship, innovation, and economic growth within the country. The essence of startup India is to create a strong and supportive ecosystem for start-ups, facilitating the transformation of innovative business ideas into successful ventures. Its aim is to inspire young entrepreneurs to develop creative products and services that can lead to job creation and wealth generation.

Trough the startup India initiative, the government provides policy support, financial assistance, tax benefits, and simplified regulatory processes for start-ups.

Review of Literature:

Narendra Modi (2016) it has been stated that startup India is an innovative initiative designed to assist individuals aspiring to launch their own businesses. These individuals possess both idea and the potential, and the government is committed to providing them with the necessary support to ensure they can realize their concepts and thrive. The success of this initiative will ultimately contribute to making India a more robust economy and a powerful nation.

Grant Thornton (2016) Define a startup business as an organization that represents an entrepreneurial venture, a partnership, or a temporary business entity involved in the development, production, or distribution of new products, services, or processes.

Institute for Business Value (IBV) (2018) India is experiencing a surge of young entrepreneurs and start-ups however, over 90 percent of these start-ups fail. The primary causes of this high failure rate include a lack of innovation, the unavailability of skilled workforce, and inadequate funding.

Nipun Mehrotra (2018) The Indian startup ecosystem, which holds the position worldwide regarding the number of start-ups, has been generating new employment opportunities and drawing in capital instalments. We assert that startup should concentrate on addressing societal challenges, such as healthcare, sanitation, education, transportation, alternative energy management, and more, as these efforts would assist in tackling the issues faced by India the global community. These initiatives necessitate investment in advanced technology and products designed for global scalability.

Objectives:

1. To study the Role of Startup India in Economic Development of India.
2. To examine the various issues and challenges of Startup India Action Plan

Research Methodology:

The study based on the secondary data which has been collected through Research papers, journals, newspapers, magazines, books and websites and the governments reports to understand the challenges of startup India in economic development in India.

Role of Startup India in Economic Development of India:

1. Employment Generation:

Startup India promotes the establishment of new businesses, which in turn create extensive employment opportunities. Startups generate both

direct and indirect jobs in diverse sectors including IT, manufacturing, healthcare, and services. This initiative aids in decreasing unemployment, particularly among educated young individuals.

2. Promotion of Innovation and Technology:

Startup India fosters startups that are driven by innovation and based on technology. It promotes research, development, and the application of cutting-edge technologies like AI, fintech, and biotechnology. Innovation boosts productivity and efficiency within the economy

3. Contribution to GDP Growth:

Startups enhance production and service operations, resulting in greater value addition. As startups expand, they play a role in boosting national income and GDP. The growth of startup enterprises fortifies the formal economy. Heightened economic activities also lead to increased tax revenues for the government.

4. Development of MSME Sector:

Numerous startups evolve into micro, small, and medium enterprises. Startup India enhances the MSME sector by offering financial assistance and policy support. MSMEs facilitate industrial decentralization and foster regional development. They are essential in supply chains and exports. This contributes to balanced and sustainable economic growth.

5. Attraction of Investment:

Startup India has drawn both domestic and international investments into the country. Venture capital, angel investors, and foreign direct investment contribute to the startup ecosystem. The rise in investments facilitates capital formation within the economy.

6. Promotion of Inclusive and Balanced Growth

Startup India provides support to women entrepreneurs, startups in rural areas, and individuals from underprivileged segments of society. It fosters the growth of startups in tier-II and tier-III cities. This initiative contributes to the mitigation of regional and social disparities. By promoting inclusive participation, it guarantees a broader distribution of economic advantages.

Some of the major issues and challenges:

1. Financial resources:

Access to funds is crucial for startups and obtaining sufficient amounts remains a persistent challenge. Numerous financing options are available, including support from family and friends, loans, grants, angel investors, venture capitalists, and crowd funding. The need for funding escalates as the business evolves. Scaling a business necessitates timely capital injections. Effective cash management is vital for the success of startups. A recent report reveals a concerning trend, indicating that 85% of new companies are

reportedly underfunded, which suggests a high risk of failure.

2. Revenue generation:

Numerous startups encounter failure due to inadequate revenue generation as their businesses expand. As operations scale up, expenses increase while revenues decline, compelling startups to focus on securing funding, which in turn distracts from the core principles of business. Therefore, effective revenue generation is essential, necessitating proficient management of the burn rate, commonly understood as the speed at which startups expend funds during their early phases. Various new enterprises in India experience frustration due to delayed payments. As income diminishes, the expenses incurred by these businesses escalate at an alarming rate.

3. Team members:

One of the most commonly acknowledged challenges faced by Indian startups is the shortage of skilled individuals to meet their requirements. It is challenging to find the right type of talented individuals to be hired for working as an effective team. The failure to build a team of specialized skills could result in the overall failure of the startup. Startups typically commence with a team made up of trusted individuals possessing complementary skill sets. Generally, each member specializes in a particular area of operations. Forming a competent team is the primary essential, and lacking one can sometimes jeopardize the startup.

4. Supporting infrastructures:

There are numerous support mechanisms that play a vital role in the lifecycle of start-ups, such as incubators, science and technology parks, and business development centres, among others. The unavailability of these support mechanisms increases the likelihood of failure. Furthermore, the lack of infrastructural systems presents an additional challenge for new companies in India.

5. Creating awareness in markets:

Startups often encounter failure because they do not adequately consider the constraints present in the markets. The landscape for a startup is typically more challenging than that of an established company, primarily due to the distinctiveness of the product. This challenge is amplified for a new product, as the startup must develop everything from the ground up.

6. Exceed customer expectation:

The subsequent significant challenge involves assessing the market demand for the product, current trends, and so forth. Innovation is crucial, as the startup must adjust its product offerings to align with market requirements (Skok, 2016). Furthermore, the entrepreneur must possess comprehensive domain expertise to effectively compete with suitable strategies. Given the emergence of new technologies, the challenge of

delivering enhancements beyond previous innovations is particularly relevant.

7. Regulations:

Establishing a business necessitates obtaining various approvals from governmental bodies. Despite noticeable improvements, registering a company remains a daunting task. The regulations concerning labor laws, intellectual property rights, and dispute resolution, among others, are stringent in India.

Conclusion:

In conclusion, this research provides critical insights into the challenges and opportunities faced by startups in India, highlighting the dynamic nature of the entrepreneurial landscape. The findings emphasize the need for supportive policies and frameworks that can foster innovation and growth within this sector. By identifying key roadblocks, such as funding and regulatory hurdles, the study underscores the importance of addressing these issues to enhance the startup ecosystem. Furthermore, the collaboration between government, industry, and educational institutions is essential for nurturing talent and driving sustainable development. As the startup culture continues to evolve, ongoing research and dialogue will be vital in adapting to emerging trends and challenges. This study serves as a foundation for future exploration, encouraging further investigation into the factors that influence startup success.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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