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PROBLEMS AND CHALLENGES OF STARTUP FIRMS - A STUDY IN DHARWAD DISTRICT

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ABSTRACT

Startup firms in Dharwad District, face challenges including difficulty securing financial resources and funding, finding and retaining skilled talent in a limited local pool, navigating complex government regulations and bureaucratic hurdles, building strong brand awareness and understanding market needs, and establishing supportive infrastructure. Lack of proper mentorship, insufficient innovation in deep-tech sectors, and the overall difficulty in building a supportive startup ecosystem also hinder growth. Startup industries are considered the driving force of economic growth and innovation, as they bring new products, services, and technologies to the market. However, startups also face a myriad of challenges that can threaten their survival and growth potential. These difficulties are not exclusive to startups; they also affect some established enterprises. But overcoming these obstacles is a laborious task for businesses with minimal resources. The aim of the study is to evaluate the challenges faced by startup in Dharwad District.

Keywords: Startup Firms, Dharwad District, Challenges and Issues, Financial Resources, Supportive Startup

1. INTRODUCTION

A startup is a newly formed company, in its initial stages of operation, often with a business model designed to be scalable. Founders typically provide initial funding and seek external investment from angel investors, venture capitalists, or through crowd funding to grow the business. India is one of the world's fastest-growing economies, with a burgeoning startup ecosystem that has seen exponential growth over the past decade. The country has become a global hub for innovation and entrepreneurship, attracting investors and fostering technological advancements. However, despite the vibrant startup culture, many new businesses in India face significant challenges that can hinder their growth and sustainability. These challenges range from financial constraints to regulatory hurdles, and addressing them is crucial for the long-term success of any startup. Startup firms in India face significant challenges, including limited financial access and a shortage of supporting infrastructure, coupled with bureaucratic hurdles, intense competition, and difficulties in attracting and retaining skilled talent. Market volatility, cultural barriers, and complex regulatory frameworks also present hurdles to growth and stability. To thrive, Indian startups require a supportive ecosystem with streamlined regulations, improved infrastructure, better access to funding, robust mentorship, and efficient IP protection.

One of the most significant challenges faced by startup industries is access to funding. Startups often require significant capital investment to fund research and development, marketing, and operations, but they may lack the financial history or assets necessary to secure traditional forms of funding, such as bank loans or venture capital. This lack of funding can lead to a lack of resources, slow growth, or even failure. Another challenge faced by startup industries is the ability to attract and retain top talent. Startups often need to compete with larger, established companies that can offer higher salaries, better benefits, and greater job security. Moreover, startups may lack the organizational structure or resources to provide a clear career path for their employees, leading to high turnover rates and difficulty in building a cohesive team. Market competition is another significant challenge for startup industries. Startups often enter markets that are already dominated by large companies with established customer bases and brand recognition. As a result, startups must differentiate themselves from the competition by offering unique products or services, innovative business models, or superior customer service. Failure to do so can result in a lack of customer interest or loyalty. Regulatory compliance is yet another challenge for startup industries. Startups must navigate a complex legal and regulatory landscape that varies by industry, location, and jurisdiction. Failure to comply with regulations can lead to fines, legal liability, or reputational damage, which can be particularly devastating for startups that lack the resources to absorb such setbacks. Finally, startups face the challenge of scaling their business. Many startups experience early success with a small customer base, but struggle to expand their operations and reach a larger audience.

2. REVIEW OF LITERATURE

Marium Saleem, and Muhammad Atiq (2023) Startups in Peshawar face many challenges in accessing external financing due to multiple reasons, which range from unrealistic criteria of financial institutions to the inability to find the right investor. One of the main reasons for these challenges is that the financial institutions such as banks expect the startups to meet the same requirements as established businesses. For example, startups are required to pledge collateral to access bank loans, which is not feasible for every startup as most of them are technology based and have very few physical assets.

Mrs. Rohini U. Nikam, Dr. Yuvraj Lahoti and Dr Samrat Ray (2023) Today's startups are distinguished not just by how they approach their business goals, but also by how they react in the face of adversity. It is human capital that not only matters in the early stages of a business for sustainable development, but also defines the organisation in the latter stages. The smarter the expertise you have in an industry, the more difficult it is to recruit that talent to a start-up. Apart from the tough rivalry for talent, another concern is that if a startup fails to attract good business expertise, it would eventually fail to continue its long-term business strategy owing to a lack of financing.

Anurag Mathur and Dr. Himanshu Agarwal (2023) Startup industries are considered the driving force of economic growth and innovation, as they bring new products, services, and technologies to the market. As of December 2, 2021, DPIIT had recognized 59,593 startups from all 36 of India's states and union territories as startups, dispersed throughout 633 districts. More than 57,000 firms, employing an average of 11, have reported creating more than 6.4 lakh jobs.

Rakesh Kumar Gautam, and Dr. K. Mishra (2016) Current situation is very fast moving with technology development, transformation, industrialization, rural development, education and development. In such situations, employment opportunity enlarged drastically for rural women. Entrepreneurship into rural women, no hesitancy develops the wealth of the nation in general and of the family in individual. India being a socially male dominated country, women are assumed to be economically and socially dependent on male members. Women need to backing and support from the family members, government, society, male colleagues etc., with the right assistance from various groups stated above, they can connected to the main stream of national rural economy and thereby contribute to the rural economic development.

3. OBJECTIVES OF THE STUDY

1) To know Challenges and issues of startup firms in Dharwad district.
2) To analyses of the startup founders faced by Challenges and issues in Dharwad district.

4. LIMITATION OF THE STUDY

- This study is limited to Dharwad district only.
- Only 30 startup founder respondents are taken for this study.

5. METHODOLOGY

For the purpose of gathering the data required for their research endeavors, every researcher needs a technique. Research technique is a strategy for methodically addressing the research challenge. It might be considered the study of scientific research techniques. In this study, the methodology is set of various methods to be followed to measure the following research work related to the present study as to evaluate the challenges faced by startup industries.

Research Design:

In the present research study researcher used descriptive survey research method which includes presentations of facts, class of events and involves procedure and enumeration of measurements. In this study data Collected from secondary source as well as primary sources.

Sample Design:

The technique to determine how many items should be included in the sample is determined by the sampling design. In the present study, researcher used snowball sampling method to collect the information from different respondents.

Sample Size- Startups Founders = 30

6. PROBLEMS AND CHALLENGES OF STARTUP FIRMS IN DHARWAD DISTRICT:

Start-ups in India encounter a number of difficulties including:

- **Lack of funding:** although start-up funding in Dharwad district has increased recently, start-ups still have a difficult time getting money, especially those that are just getting started. Since many investors are risk-averse and favor investing in well-established businesses, it is challenging for startups to raise money. With more start-ups entering the market each year, India's startup environment is growing more and more competitive. As a result, startups must put up more effort to set themselves apart from the competition and stand out in the crowded market.
- **Talent acquisition:** for start-ups in Dharwad district, locating and keeping talent is a significant hurdle. Due to their lack of resources and competitive environment, many start-ups find it difficult to acquire and keep top people.
- **Regulatory compliance:** it can be difficult for start- ups to comply with legal and governmental standards. The legal and regulatory environment in India can be complicated, so start-ups must make sure they abide by all relevant rules and laws.
- **Infrastructure:** for start-ups in Dharwad district, a lack of proper physical and digital infrastructure can be a big barrier. It can be challenging for start-ups to function successfully and efficiently when there are issues with transportation, electricity, and internet connectivity.
- **Market entry:** for start-ups, entering the diverse and complex Indian market can be difficult. Numerous startups struggle to pinpoint the ideal market niche and successfully advertise their goods or services. Protecting intellectual property is essential for startups, but the procedure may be drawn out, difficult, and expensive.
- **Scaling Challenges:** Operational inefficiencies, lack of market adaptability, and inadequate infrastructure hinder scaling efforts for many startups.
- **High Failure Rate:** Over 90% of Indian startups fail within five years due to factors like poor product-market fit, inadequate financial planning, and an inability to adapt to consumer demands.
- Overall, despite the fact that Dharwad district's start-up ecosystem is expanding, the nation's start-ups still have a number of difficulties to overcome.

7. DATA ANALYSIS AND INTERPRETATION

Table 1 age wise of the startup respondents in Dharwad district

Age	Respondents	Percent
Less than 21	2	6.67
21 – 30	09	30.00
31 – 40	11	36.67
41 – 50	05	16.67
51 – 60	02	6.67
Above 61	01	3.33
Total	**30**	**100.00**

Sources Field survey

The above table portrays that age wise of the startup respondents in Dharwad district of Karnataka State. Out of 30 respondents, a maximum 11 (36.67%) startup owners are belongs to the age group of 31 to 40, followed by 09 (30%) respondents comes under age group of 21 to 30, 5 (16.67%) respondents belongs to the age group of 41 to 50, 2 (6.67%) respondents are belongs to the age group of 51 to 60 as well as less than 21 aged startup owners and only 01 (3.33%) respondent is above 61 aged person.

Table 2 Gender of the respondents

Gender	Respondents	Percent
Male	18	60.00
Female	12	40.00
Total	**30**	**100.00**

Sources Field survey

This table illustrates that gender of the respondents, out of 30 respondents; the majority 18 (60%) startup owners are male and 12 (40%) respondents are female dynamic business tycoons in Dharwad district.

Table 3 Marital status of the respondents

Marital status	Respondents	Percent
Married	25	83.33
Unmarried	05	16.67
Total	**30**	**100.00**

Sources Field survey

Table No. 3 displays that marital status of the respondents in Dharwad district of Karnataka state. Out of 30 respondents, the majority 25 (83.33%) respondents are married people started startups and only 5 (16.67%) respondents are unmarried youths started startups in Dharwad district.

Table 4 Finance is a major challenge for startup industries

Age	Respondents	Percent
Strongly agree	08	26.67
Agree	12	40.00
Neutral	01	3.33
Disagree	04	13.33
Strongly Disagree	05	16.67
Total	**30**	**100.00**

Sources Field survey

In this table researcher identified that out of 30 respondents, a maximum 12 (40%) startup owners agreed about finance is a major challenge for startup industries, 8 (26.67%) respondents are strongly agreed, 5 (16.67%) owners are strongly disagreed followed by 4 (13.33%) respondents are disagreed and only 01 owner of this startup is neutral neither agreed nor disagreed.

Table 5 Access to new market is a major challenge for startup people from Dharwad district

Age	Respondents	Percent
Strongly agree	07	23.33
Agree	09	30.00
Neutral	02	6.67
Disagree	08	26.67
Strongly Disagree	04	13.33
Total	**30**	**100.00**

Sources Field survey

The above table shows that access to new market is a major challenge for startup people from Dharwad district. A maximum 9 (30%) respondents are agreed regarding access to new market is a major challenge for startup, 8 (26.67%) respondents are disagreed, 7 (23.33%) respondents are strongly agreed about it, 4 (13.33%) owners are strongly disagreed and 2 (6.67%) respondents are neutral.

Table 6 Lack of distribution channels is a major challenge for startup in Dharwad district

Age	Respondents	Percent
Strongly agree	06	20.00
Agree	12	40.00
Neutral	02	6.67
Disagree	04	13.33
Strongly Disagree	06	20.00
Total	**30**	**100.00**

Sources Field survey

Table No. 6 is displayed that the lack of distribution channels is a major challenge for startup in Dharwad district. Out of 30 respondents, a maximum 12 (40%) respondents are agreed on it, followed by 6 (20%) are strongly agreed, 6 (20%) startup owners are strongly disagreed about it, 4 (13.33%) respondents are disagreed and 2 (6.67%) respondents are neutral neither agreed nor disagreed.

Table 7 Lack of skilled labour is a major challenge for startup in Dharwad district

Age	Respondents	Percent
Strongly agree	10	33.33
Agree	11	36.67
Neutral	01	3.33
Disagree	05	16.67
Strongly Disagree	03	10.00
Total	**30**	**100.00**

Sources Field survey

The above table portrays that lack of skilled labour is a major challenge for startup in Dharwad district. Out of 30 respondents, a maximum 11 (36.67%) startup business people are agreed on there is lack of skilled labour in Dharwad district, followed by 10 (33.33%) respondents are strongly agreed about it, 5 (16.67%) respondents are disagreed, 3 (10%) respondents are strongly disagreed and only 1 (3.33%) respondent is neutral regarding this opinion.

Table 8 lack of technology is a major challenge for startup

Age	Respondents	Percent
Strongly agree	07	23.33
Agree	11	36.67
Neutral	02	6.67
Disagree	06	20.00
Strongly Disagree	04	13.33

Total	**30**	**100.00**

Sources Field survey

In this table researcher identified that, out of 30 respondents, a maximum 11 (36.67%) respondents agreed on lack of technology is a major challenge for startup in Dharwad district, followed by 7 (23.33%) respondents are strongly agreed, 6 (20%) respondents are disagreed followed by 4 (13.33%) respondents are strongly disagreed and 2 (6.67%) respondents are neutral about it.

Table 9 Regulatory prescription is major challenge for startup

Age	Respondents	Percent
Strongly agree	06	20.00
Agree	10	33.33
Neutral	03	10.00
Disagree	08	26.67
Strongly Disagree	03	10.00
Total	**30**	**100.00**

Sources Field survey

Table No. 9 illustrated that regulatory prescription is major challenge for startup in startup industries. A maximum 10 (33.33%) startup owners are agreed regarding regulatory prescription is major challenge for startup, 8 (26.67%) respondents are disagreed, 6 (20%) respondents are strongly agreed about it, and 3 (10%) respondents are neutral as well as strongly disagreed on regulatory prescription is major challenge for startup in startup industries.

8. SUGGESTIONS

1) One of the biggest challenges for startups is obtaining financing, the government must offer financial support to these businesses in order for them to expand and prosper.
2) Startups show their difficulty in hiring the skilled employees because of their non-availability. India has to focus more on skilled employees, by providing training or internship to the candidates.
3) Due to the uniqueness of the product, the climate for startups is typically more challenging than for established businesses. For a new product, the issue is more challenging because the firm must create everything from beginning.So, it is the responsibility of the government to develop the environment in which startups develop their marketing strategies in effective manner.
4) Various support systems, such as incubators, science and technology parks, business development centres, etc., are important in the lifespan of startups. Failure risk increases when these support systems are not available.
5) Business Plan: Create a formal business plan covering your idea, market analysis, revenue model, and budget.
6) Team & Leadership: Build a competent team and strong leadership to guide the venture.
7) Product-Market Fit: Ensure your product or service meets the needs of your target market.
8) Networking: Build connections with other professionals and potential investors.
9) Scalability: Design a business model with the potential for high growth and expansion.

9. CONCLUSIONS

The study was carried out for 30 startup companies operating in the various sectors. The sample size is less therefore the study should be carried out for a higher sample size. Presently it can be considered as a base for the further research. The sector perspective was not considered and it was carried out for all the sectors. To address the sector specific issues the study should be carried out for the particular sector such as age, gender and marital status of the respondents, in Dharwad district. It will help in reaching meaningful inferences and resolving the challenges of the specific sectors.

CONFLICT OF INTERESTS

None.

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