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“A Study On Startup Companies And Its Challenges Faced In Bengaluru City”

Dr.V Vikram¹, Mr. Pranav Yadav E.G²&Vinutha P Shenoy³

#1Associate Professor, Department of MBA, JNN College of Engineering, Shivamogga, Mob:

9845902628, E-mail: vikram.rich@gmail.com

#2Fresher Profiles Pvt, Ltd, Bengaluru, pranavyadaveg@gmail.com

#3, Lecturer, National Education Society, Institute of Advanced Studies, Shivamogga, Affiliated to

Kuvempu University, Shivamogga

Mob:8147600337, Email:vinu23shenoy@gmail.com

Abstract

India has added 12,214 start-ups so far in 2023, according to an analysis of data earlier shared in parliament and the latest figures. The government noted that there were 86,713 start-ups as of December 2022. This means that India added start-ups at the rate of over 90 a day “India is currently experiencing a funding winter, which is expected to continue for the next 12-18 months,” Tracxn report. “Companies are trying to reduce their expenditure on fixed assets like working spaces, electronic devices, and advertising.” Bengaluru, also known as the Silicon Valley of India, has emerged as a hub for startups over the past few years. However, while the startup ecosystem in Bengaluru has been thriving, it is not without its challenges. “A Study on Startup Companies and its Challenges Faced in Bengaluru City”, was aim to explore the obstacles that startups encounter, such as lack of funding, regulatory hurdles, competition, infrastructure, and other challenges. This study would be useful for ambitious business entrepreneurs and policymakers in knowing the challenges and finding solutions to foster a more encouraging environment for startups in Bengaluru. Based on the survey data, it was witnessed that the greatest difficulties faced by start-ups in Bangalore City include tough competition, inadequate access to financial and capital needs, acquiring a skilled workforce and retaining a talented workforce, complicated governing environment, and continually transform and adjust to ever-changing market conditions. It is observed that flexibility, adaptability, and learning continuously are vital characteristics for start-ups to sustain and outwit the competition in the ever-changing environment. By bringing innovation, respecting the governing requirements of the Start-ups, and capitalizing on strategic marketing and branding, start-up companies in Bangalore City can place themselves for sustainable development and success

Key Words: *Startup, Funding, startup ecosystem, Sustainable development, Resilience*

1. Introduction

A rising registration in Start-Up

The top 5 sectors, including IT services and health care, account for a third of registered

companies. The number of government-registered startups is nearing the six-figure

mark, and stands at 98,927 as of May 9, 2023, according to the latest data on the Startup India website. India has added 12,214 start-ups so far in 2023, according to an analysis of data previously shared in parliament and the latest figures. The government noted that there were 86,713 start-ups as of December 2022. This indicates that India added start-ups at the rate of over 90 a day in the year 2023. State-wise numbers also reveal some signs of concentration. Analysis shows that Maharashtra, Karnataka, Delhi, and Uttar Pradesh have emerged as preferred start-up destinations, accounting for half of all new registrations and a similar share of the resultant employment. Maharashtra provides the most employment via start-ups, according to government figures. It shows the generation of 51,357 jobs, followed by Delhi (30,083) and Karnataka (24,487). Gujarat is ahead in terms of people employed with 23,832, compared to 22,969 in Uttar Pradesh.

SL. No.	Year	Registrations
1	2016	445
2	2017	5135
3	2018	8669
4	2019	11305
5	2020	14521
6	2021	20080
7	2022	26558
8	2023	12214

Source: Lok Sabha Note: Number of start-ups registered between 2016 and February 28, 2023. According to data from the Tracxn report, 22% of funding for start-ups went to those in Tier – II & III cities in 2022. In the year 2023, start-ups have collectively raised around \$4.1 billion so far. Regardless, as funding slows to a trickle due to the macro scenario, many start-ups across sectors have elected to shift focus away from expansion towards profitability and unit economics in a

bid to reduce cash burn. This has manifested through retrenchments as well as an overhaul in cost structures, including in companies that have had their valuations corrected. Start-ups are experiencing a funding winter; it has become more challenging for edtech companies compared to other segments. India is presently experiencing a funding winter, which is expected to continue for the next 12 to 18 months. This trend is observed in the somber look of many restaurants and pubs in Bengaluru's start-up hubs.

The financial Experts caution the situation may worsen in the coming months. Deep tech companies, especially early-stage firms, which are already getting a lesser share of the overall funding in the ecosystem, may face the heat, they say. Deep tech needs patience and gestation time. Many entrepreneurs have to pool their hard-earned personal money to build or expand the venture. During tough situation, selling their product itself is a challenging task. In such situations, the government could play a pivotal role in supporting deep tech firms in terms of buying their products. In an interview, Shekhar Kirani, partner at VC firm Accel said "The funding winter is mainly (impacting) growth-stage companies - firms which have raised Series C, D, and E, where people wanted crazy money to burn and build.". It is observed from the top Venture capital (VC) investors and start-ups that the government's proposal to make changes to angel tax rules would attract global investment and sustain growth. The exclusions proposed for certain non-resident investors should lead to increased funding stability.

2. Objectives of the Study

- ❖ To know the start-up growth and financial performance.

- ❖ To know the various challenges the start-up companies are facing in Bengaluru City.
- ❖ To suggest probable solutions to overcome the challenges.

3. Scope of the Study:

The study is aimed on the various difficulties confronted by start-up companies. The study is confined to Bengaluru city. The study is focused on companies whose turnover is less than INR 100 crores. The study was focused on companies, which are working actively for the past 4 years. Due to the paucity of time, the data was collected from the 50 start-up companies.

4. Research Methodology:

For the present study, the researcher has used descriptive research. Descriptive research design refers to the study of the problem in depth which helps entrepreneurs and investors to analyze the problem and get a solution out of it. In this study, the main objective was to identify the key challenges being faced by the start-up companies. The data for the research was collected with the help of both Primary and Secondary Data. The **Primary Method** of data collection was undertaken with the help of a Structured Questionnaire survey and personal interviews with the Startup Company Owners in Bangalore City. The **Secondary Method** of data for research is collected from articles, literature, magazines, newspapers, and with the help of the internet. The start-up companies that are operating successfully in Bengaluru city not exceeding 10 years and doing a turnover of below 100 crores were considered as sample size. A sample of 50 start-ups was identified on a judgmental basis under the non-probability sampling method for the research.

5. Literature Review:

Dr. Sujata Chincholkar (2021) In her paper titled 'Bottleneck to Success: scaling up Issues of Start-ups' studied about many start-ups encounter major setbacks at the scaling-up stage. Her qualitative study examines the problems encountered by start-up companies while scaling up the business. The results show that non-availability of financial resources, acquisition of right talent and acceptance of the product are some of the major challenges faced by the start-ups while scaling up by developing a model.

Arana Kausar & Md. Aziz Ahmed (2020) in their paper titled "A Study on Financial Literacy Creating Sustainable Startups in the Indian Context, discussed case studies of the failure of startups in India due to financial illiteracy, financial insufficiencies, no market requirements of products or services and concluded that there is a big need for financial literacy among the entrepreneurs. Poor financial literacy will drive inventors away and will put entrepreneurs at risk of failing. Each investment must be evaluated for its returns, for this knowledge of financial management is indispensable. We need sustainable startups for better products and job creation for economic growth.

Dr. G Sureshbabu and Dr. K Sridevi (2019) in their research paper titled "A study on issues and challenges of startups in India" highlighted about startup scenario, ecosystem, issues, and challenges.

Dwivedi, R. (2019). Indian Startups. In his study has tried to look into the aspects and examined the prevailing situation at ground level. "Startup India initiative is well known to startups but new entrepreneurs expect a more supportive and responsive ecosystem. The study has put forth the effect of demonetization and GST implementation on

start-ups as well as analyzing the overall performance of the startups across many sectors. The study found funding as the most important factor for the survival of startups and easing up the government rules and regulations have also been the priority area for the startups”

Raghavendra Talavar, & Sanjeev Ajatrao. (2024). In their study, have examined on the areas like; issues and challenges that an Indian startup has to face and the opportunities that the country can provide in

the current eco-system. In their work, they have put forth that “India’s startup eco-system has become a talking point for the entire world. With hundreds of innovative youngsters choosing to pursue the path of entrepreneurship instead of joining multinational corporations and government ventures, the business world has witnessed an explosion of ground-breaking startups providing solutions to real problems at a mass level in the past years.

6. Analysis of Entrepreneur's Opinion

Table 1: Data exhibiting the Age of Startups

Start-up Age in years	< 1 Year	2 Years	3 Years	> 4 Years	Total
Response	13	26	6	5	50
Percentage	26%	52%	12%	10%	100%

Source: Primary Survey Data

Table 2: Data exhibiting the Nature of Startup

Start-up Nature	Product Based	Service based	Technology based	Total
Response	11	24	15	50
Percentage	22%	48%	30%	100%

Source: Primary Survey Data

Table 3: Data showing Average Turnover of Startups in crores

Annual Turnover	< 10	11 – 25	26 - 50	Total
Response	44	4	2	50
Percentage	89%	7%	4%	100%

Source: Primary Survey Data

As far as the inferences on the table 1, 2, & 3 are observed from the collected primary data. The above data highlight the start-up environment's varying nature, with a sizable number of start-ups that are still in the initial stage of development (78% of the start-ups are < 2 years old). A

substantial number of start-ups are into technological advances, as revealed from the survey findings that 30% of start-ups are technology-based. In distinction, 22% of the start-ups are product-based. From the above collected primary findings, a sizable number of the start-

ups are either serving dedicated markets or turnover levels, representing the varied are in the initial stages of growth. Only a handful financial situations of the entrepreneurial number is believed to have achieved a greater initiatives.

Table 4: Data showing the major difficulties encountered by the startups in the initial stage

Details	Response	Percentage	Rank
Scarcity of Funds	32	32%	1
Regulatory Hurdles	17	17%	4
Existing players posing the competition	28	28%	2
Getting skilled workforce	23	23%	3

Source: Primary Survey Data

The data about the important difficulties that come across the start-ups in the early stages is Scarcity of Funds (32%) followed by Existing players posing the competition (28%), not getting a skilled workforce (23%), and regulatory hurdles respectively.

Table 5: Data showing the Financial difficulties faced by the start-ups

Challenges	ED	VD	MD	SL	ND	Total	Mean	STD	Rank
Struggle to secure funding.	12	18	15	4	1	50	2.30	0.93	1
Stiff competition for inadequate financing opportunities in the start-up ecosystem.	11	13	16	6	1	50	2.49	0.87	2
Exorbitant rent and increased property costs.	10	14	19	5	2	50	2.51	0.95	3
Difficulty in accessing to venture capitalists and angel investors.	9	16	17	7	1	50	2.51	0.81	3
Increasing operational cost like salaries, utilities and marketing expenses.	6	15	24	4	1	50	2.70	0.96	4
Challenges in getting financial credit or loan facilities from financial institutions or Banks	8	16	17	6	3	50	2.6	0.85	4
Difficulty in accessing to grants and subsidies for startups.	6	11	23	7	3	50	2.8	0.99	5

Source: Primary Survey Data

ED - Extremely Difficult, **VD** – Very Difficult, **MD** – Moderately Difficult, **SD** – Slightly Difficult, **ND** – Not Difficult, **STD** – Standard Deviation.

It is observed from the collected primary data, most of the start-ups believe that it is very challenging to source finance from investors (lowest mean of 2.3) followed by stiff rivalry for inadequate financial opportunities in the start-up ecosystem, expensive office rent, and Exorbitant real estate costs, Difficulty in accessing to grants

and subsidies for startups, Increasing operational cost like; salaries, utilities and marketing expenses, Difficulty in accessing to financial grants and subsidies for startups, Hefty taxation and compliance burdens affecting financial resources and Insufficient cash flow management and in turn that will lead to financial uncertainty etc.

Table 6: Data showing the infrastructure challenges being faced by the start-ups

Challenges	ED	VD	MD	SD	ND	Mean	Total	STD	Rank
Regular power outages and unreliable electricity supply.	5	6	22	9	8	3.18	50	1.11	1
Inadequate physical infrastructure like; poor roads and transportation systems.	1	16	7	22	4	3.24	50	0.96	2
Inadequate public transport facility and traffic bottlenecks affecting daily operations.	3	5	23	14	5	3.28	50	0.97	3
Inadequate availability of reasonable office and workstation spaces in main areas.	3	8	15	15	9	3.38	50	0.95	4
Insufficient parking space for staff and clients.	1	5	24	13	7	3.40	50	1.10	5

Source: Primary Survey Data

When the start-ups were enquired about the infrastructure difficulty faced by the start-ups, it is Regular power cuts and unreliable electricity supply were the major hurdles (having 3.18 lowest mean) in Bengaluru. Followed by space constraints in the prime locations & other facilities like; poor roads and

transportation systems, inadequate public transport facilities and traffic bottlenecks affecting daily operations, and Inadequate availability of office spaces in main areas. Insufficient parking space for staff and clients etc.

Table 7: Data highlighting Marketing Challenges faced by the start-ups

Challenges	ED	VD	MD	SD	ND	Total	Mean	STD	Rank
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Challenges in pricing products or services competitively while maintaining profitability.	9	16	19	5	1	50	2.50	1.22	1
Challenges in gaining market visibility and building brand recognition.	3	25	18	4	2	50	2.58	0.87	2
Stiff competition from existing companies and other start-ups in the market.	4	20	19	5	2	50	2.62	0.98	3
Insufficient market research and analysis led to uncertain demand projections.	7	14	18	9	2	50	2.70	1.00	4
Lack of effective marketing and advertising channels within the local market.	7	15	17	8	3	50	2.70	1.06	4

Source: Primary Survey Data

As far as the Marketing Challenges faced by the start-ups are concerned. Most of the start-ups have been confronted with a tough situation like challenges in pricing the products or services competitively while sustaining profitability (having a lesser mean of 2.50). Followed by

challenges in gaining market visibility and building brand recognition, Insufficient market research and analysis leading to fluctuating demand projections, and a Deficiency of effective marketing and advertising channels within the domestic market.

Table 8: Data Showing challenges about competition faced by Start-ups

Challenges	ED	VD	MD	SD	ND	Total	Mean	STD	Rank
Stiff competition from other start-ups offering similar products or services	5	20	15	7	3	50	2.68	1.09	1
Competition from international companies entering to domestic market.	9	13	14	9	5	50	2.76	1.12	2
Price rivalry impacting profit margins and market positioning	4	18	16	9	3	50	2.78	1.05	3
Challenges in safeguarding									

the intellectual property and innovations from fake or infringement.	7	13	18	8	4	50	2.8	1.12	4
Challenges in identifying & getting partnerships or collaborations due to competition from industry incumbents.	6	13	19	8	4	50	2.82	1.16	5

Source: Primary Survey Data

As far as competition-related difficulties from international companies being faced by start-ups is concerned. It is entering the domestic market having the lowest stiff competition from other start-ups offering mean (2.68 & 2.76) followed by other similar products or services and Competition challenges.

Table 9: Data Showing challenges about regulations issues faced by Startups

Challenges	ED	VD	MD	SD	ND	Total	Mean	STD	Rank
Challenge about Intellectual property protection and enforcement.	4	14	21	9	2	50	2.82	1.10	1
Unclear or ever changing governing policies impacting the start-up's operations.	5	11	26	4	4	50	2.84	1.04	2
Not understanding and following to tax laws and regulations.	6	12	20	9	3	50	2.84	1.15	2
Compliance with multiple regulatory bodies and their requirements.	6	11	20	11	2	50	2.86	1.16	3
Adherence to labour laws and regulations related to employment and benefits.	4	13	23	6	4	50	2.9	1.29	4

Source: Primary Survey Data

The regulatory difficulties being faced by Start-ups were examined. It is safeguarding the Intellectual property and enforcement challenges and Vague or changing regulatory policies

impacting the start-up's operations to a greater extent (having 2.82 & 2.84 as lowest means) followed by other challenges like difficulties in understanding and adhering to tax laws and regulations, Compliance with multiple

regulatory bodies and their requirements and Adherencetolabourlaws and regulations

7. Conclusion

The study on start-up companies and the challenges faced in Bengaluru city has revealed many challenges in running their strat-ups on a day-to-day basis, The study has revealed the importance of a seasoned approach and the need for a positive measures to overcome the challenges and developing a conducive environment for the start-ups in Bangalore City. The important challenges being faced by start-ups in Bangalore City include tough competition, insufficient access to funding and capital, challenges in acquiring the best talent and retention, intricate regulatory environment, and the need to constantly innovate and adapt to the ever-changing market dynamics. The insights obtained from this research can serve as a foundation for start-up companies to make informed decisions, chalking out a better strategy to outwit the

competition and sustain in the market. The government could play a pivotal role in supporting deep tech firms in terms of buying their products. The government's proposal to make changes to angel tax rules would attract global investment and sustain growth. The exclusions proposed for certain non-resident investors should lead to increased funding stability. The start-ups need to respect the regulatory requirements of the concerned state government by fostering innovation, adhering to regulatory requirements, and investing in strategic marketing and branding, the concerned state

related to employmentandbenefits.

and concerned regulatory bodies have to lend their initial support in facilitating the development and sustenance of start-ups in Bangalore City,which mayplace themselves for a sustainable development and success.

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