



Challenges And Pitfalls: A Study Of Early - Stage Entrepreneurial Failure

Muskan Madaan

Assistant Professor

Department of Law

SC Guria Law College, Kashipur, India

Abstract

Worldwide entrepreneurship is considered as the corner step for the economic growth and development of the country. Entrepreneurship aids in creating job opportunities and social development by converting ideas into feasible ventures. Social and cultural evolution are the key aspects of entrepreneurship. Moreover, entrepreneurship is a gratifying pathway and major driver of origination, invention and innovation that leads to capital formation and employment generation. The primary objectives of entrepreneurship are dissemination of industries in rural areas and adoption of contemporary tools and techniques in India. This research paper evaluates various factors affecting startup building along with the challenges faced by the entrepreneurs that may lead to early-stage entrepreneurial failure. Further, this study highlights various programs and initiative implemented by the government to support the proposal of entrepreneurship.

Keywords: Entrepreneurship, Internal and External factor, Entrepreneurial failure causes, Initiatives

Introduction

Entrepreneurship plays a crucial role in the development of any country as it generates employment as well as results in economic growth. Entrepreneurship demands innovative and unique ideas in order to develop a fruitful business. An entrepreneur is one who focuses on grasping the business opportunity to make profit in the market. Entrepreneurs look forward to create a brand image by offering diversified and quality products or services to its customers. In order to promote the idea of financial self-independency, government has been taken numerous initiatives such as 'Atmanirbhar Bharat'. In last few years, people have been getting attracted towards the idea of entrepreneurship in India and tried to become an entrepreneur.

Several factors result the startup's journey therefore it is beneficial to consider all these aspect in order to implement a good strategy. However, most of the startups fail to achieve success and lead to negative result in terms of startup failure. Therefore, it is beneficial for an entrepreneur to participate in skill development and capacity building programmes offered by the government to learn specific talent and skills requisite to become a successful entrepreneur. Moreover, the government also provides financial as well as advisory support to the startups for their survivance. A good entrepreneur integrates all the available opportunities and support to reach the desired goals and objectives.

Objectives

- To determine the factors affecting start-ups
- To identify the causes behind the failure of business at early stage
- To discuss the government initiatives for entrepreneurial development

Methodology

This study is particularly based on secondary data. The data is collected from various sources including research journal, books and publications.

Factors affecting the start-ups

There are several factors that affect the success of a start-up. These factors are basically divided into internal and external factors. One should need to analyse these factors while starting any business. In absence of the understanding of these factors, one has to face a number of problems and difficulties while doing in business. The brief description of these factors is as follows,

Internal factors

Internal factors are the controllable influences that can impact the company's performance to a greater extent therefore it is vital to consider these factors to ensure that company meets its desired goals within a definite time. Internal factors exist inside of the company such as management of the firm, product quality, skills and competencies and many more. The brief portrayal of these internal factors is given below,

- **Management of the firm**

An effective management can lead to fruitful performance of the firm and can upshot in growth of the start-up. A strong management is one who knows how to establish clear objectives, manage risk and recall the best talent to perform any task. Leadership and effective communication are the key aspects of management of any start-up. In case of poor management, the available resources cannot be utilised in an effective manner which can result in negative performance of the company.

- **Product quality**

It is the responsibility of entrepreneur to make sure that they are providing best quality product or services to its customers at reasonable prices. This will not only help to gain the customer loyalty but it will also lead to the competitive advantage. Product quality is essential to capture the market as attract the customers towards the product.

- **Skills and competencies**

Skills and competencies particularly include marketing skills, communication skills, leadership skills, entrepreneurial competencies and many more. Employee's skills and competencies to perform any job also play an essential role in start-up's success. However, in case of deficiency of talent and competencies, the start-ups have to face negative results and poor performance.

- **Distribution channels**

Distribution channel is important to consider as impacts the success of any product or service to a greater extent. One should focus on customer's profile while selecting the distribution channel. Direct, indirect and hybrid are the three ways of channel distribution which facilitates the customers in different manner. An effective distribution channel strategy can result in cost reduction and customer satisfaction.

- **Timing**

Timing is one of the important factors that impact the success of a start up to a higher level. One should know when to introduce the product or service in the market. The product launch should neither early nor late, it should be at the right time when there is a requirement of the solution at its peak. the entrepreneur should understand when to enter in the market and grasp the opportunity.

External factors

External factors are those which are uncontrollable and affect the business in a positive and negative manner depending upon the circumstances. External factors may lead to success of a company if in favour and vice versa. One can understand the impact of external factors on a business by studying following factors.

- **Customer preferences and palates**

The start-up should aware of customer's needs and preferences in order to meet the goals and objectives of the firm. Continuous change in preferences can create a challenge for the start-ups as it requires a deep and definite research of the market trends and customer's changing habits.

- **Technological advancement**

Emerging technology advancement creates opportunity for the start-up to compete in the market. Those firms who adapt the required skills and competencies to align with the technology advancement can survive in the market whereas the start-ups who are not able to line up with evolving technology has to face poor results. Therefore, one should ensure having effective human resource skills that can compete with the emerging technology trends.

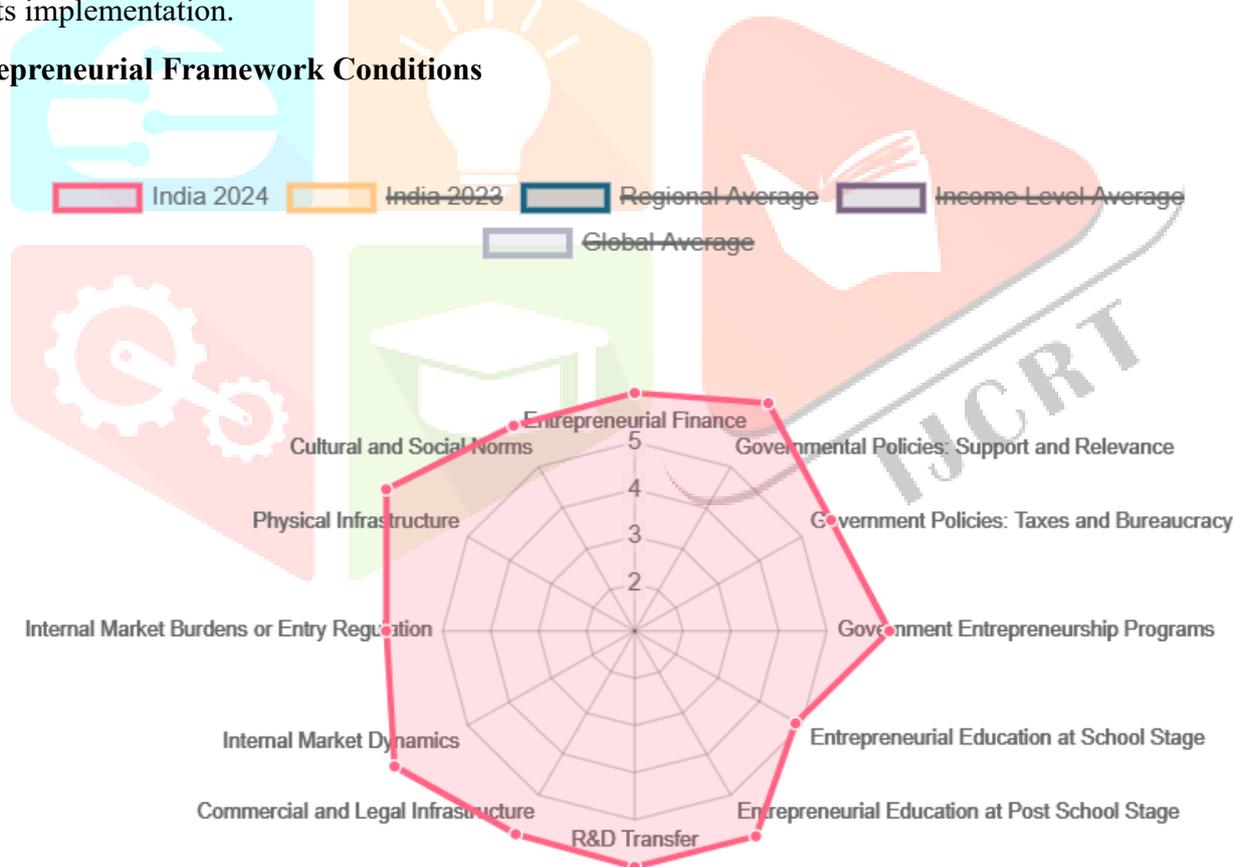
- **Government provision**

Change in ruling party is one of the reasons that may cause change in government rules and regulation time by time. In order to survive in the market, it is important for the start-up to follow policies made by the government. In case of ignorance, the firm will have to face negative impact and failure of the start-up.

- **Competitive landscape**

Competition in the market is the biggest challenge for the start-ups as they have to compete with the existing brand. It is difficult for the firms to enter into the market and make their position within the prevailing market. In order to compete with the existing brands, the new entrepreneur needs to develop effective strategic plan and its implementation.

Entrepreneurial Framework Conditions



Source- <https://www.gemconsortium.org/economy-profiles/india>

Causes of early-stage entrepreneurial failure

Startup is an important step towards the success of personnel and country as a whole. However, it is seen that most of the startups fail at very early stage due to lack of knowledge and research. Moreover, there are another several reasons behind the failure of any startup which are discussed below,

- **Lack of market research**

Market research is essential while entering into the market. Collecting facts and figures is vital as it helps in decision making process. It has been seen that entrepreneur neglect the importance of market research and then lead to poor performance. Market research includes market trends, customer's preferences, Competitor's strategies, internal and external factor affecting the start-up's business and business opportunity.

- **Poor business model**

A business model is the lifeline of any business as it may decide the success or failure of a business. A business model basically presents an outline of its overall activities that will take place during the implementation process of any business. It focuses on attracting investors, targeting the customers and generating the revenues. A poor business model hampers the sustainability and progress of any business.

- **Run out of cash**

Shortage of cash is one of the main causes behind the failure of any small or large start-up. Uncontrolled expenses sometimes result in higher cash flow fluctuation due to which most of the start-up runs out of cash at very early stage. The most of the start-ups reached to that stage where they cannot survive in the market without raising additional funds.

- **Poor pricing strategy**

In order to gain maximum profit from the market, most of the start-ups apply arbitrary rates which bring about to the failure of the business. It is vital for start-ups to adopt effective pricing strategy based on the proper market research. One can take quick initiative in order to deal with this issue if find out that their pricing strategy has been gone wrong.

- **Feeble marketing strategy**

Market strategy plays an important role in attracting customers and converting the lead into consumers. In absence of effective marketing strategy, it is difficult for the start-ups to gain the customer in the existing market. A creative marketing strategy is one which attract the attention of the target customer. Most of the start-ups develop poor marketing strategy due to the lack of knowledge and skills and results in wastage of money due to its undesirable impacts.

- **Poor audience development**

Most of the start-ups fails to develop audience due to their ineffective strategies. This ineffective strategy are the result of poor market research and competitive analysis. Also, innovation and creativity are missing while developing the product which causes lack of customers. In order to attract vast level of customers, one need to introduce quality product and services in the market at competitive prices.

- **Higher competition**

Competition is the key aspect leading to the failure of start-ups as the existing companies have strong brand image as well as customer loyalty. Sometimes, it has been seen that the large businesses also overtake the startups in order to decrease the competition in the market. A well-defined strategy is required for the start-ups to compete with the existing firms otherwise it will cause failure of start-ups at early stage.

Government initiative for the development of entrepreneurs

- **Startup India Initiative**

This Startup India Initiative was instigated on 16th January, 2016 in order to support the entrepreneurs and creating a startup ecosystem within the country. This initiative was aiming about developing job creators in India and introduce growth opportunities for the entrepreneurs. Financial support and incentives to the startups are the main features of the scheme.

- **Udyam Registration Portal**

Udyam is an online portal developed for the MSMEs registration. This portal facilitates the micro, small and medium enterprise with specific identification number and certificate to perform the entrepreneurial activities. Patent registration subsidy, collateral free bank loans and industrial promotion subsidy are the benefits offered to the startups.

State/UT and Year wise total number of MSMEs which were registered since inception (01.07.2020) to 04.12.2023 on Udyam registration Portal (including informal micro enterprises registered on Udyam Assist Platform)					
State/UT	2020-21	2021-22	2022-23	2023-24	Total
ANDAMAN AND NICOBAR ISLANDS	1816	2950	3888	3737	12391
ANDHRA PRADESH	65174	147374	245795	678886	1137229
ARUNACHAL PRADESH	727	2257	6954	5648	15586
ASSAM	17167	72167	133471	231190	453995
BIHAR	90146	221199	323785	1097102	1732232
CHANDIGARH	5749	9525	10112	13682	39068
CHHATTISGARH	33009	68717	108640	293073	503439
DELHI	89472	134679	178939	226746	629836
GOA	6041	8615	15537	18522	48715
GUJARAT	247109	398693	524052	772286	1942140
HARYANA	102915	179530	237031	317955	837431
HIMACHAL PRADESH	12810	26865	47255	45835	132765
JAMMU AND KASHMIR	26464	74470	104070	166706	371710
JHARKHAND	43004	83063	142422	365378	633867
KARNATAKA	152269	314801	423442	676696	1567208
KERALA	71903	117907	180785	357445	728040
LADAKH	731	2304	3211	3491	9737
LAKSHADWEEP	38	207	334	153	732

MADHYA PRADESH	11171 7	24597 1	84454 1	89931 1	21015 40
MAHARASHTRA	64765 4	97427 4	12186 39	16636 52	45042 19
MANIPUR	10407	13729	21283	31928	77347
MEGHALAYA	695	2228	6676	10158	19757
MIZORAM	1120	3547	7866	13207	25740
NAGALAND	712	3320	7314	20478	31824
ODISHA	49442	10595 6	17206 8	44489 4	77236 0
PUDUCHERRY	3867	8226	11572	24110	47775
PUNJAB	10086 7	18278 1	26995 8	36148 8	91509 4
RAJASTHAN	23570 6	39313 1	51969 6	67326 8	18218 01
SIKKIM	347	1772	3151	4799	10069
TAMIL NADU	31214 9	54130 7	73175 3	11198 87	27050 96
TELANGANA	97857	16183 6	23222 1	68174 9	11736 63
THE DADRA AND NAGAR HAVELI AND DAMAN AND DIU	3082	4199	5131	6155	18567
TRIPURA	1688	6719	16626	14160 2	16663 5
UTTAR PRADESH	21756 9	41365 7	14712 97	14007 17	35032 40
UTTARAKHAND	22612	49656	73252	11825 5	26377 5
WEST BENGAL	63509	17036 1	27941 2	21376 76	26509 58
Total	28475 44	51479 93	85821 79	15027 865	31605 581

Source: <https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1985022>

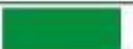
- **Atal Innovation Mission**

This is the flagship initiative introduced by the Indian government to foster a culture of entrepreneurship and revolution. Innovation and creativity play an important role in order to develop entrepreneurship ecosystem in the nation. A number of programmes such as Mentor India and AIM Ecosystem Development Program has been introduced to partnership and long-term collaboration among stakeholders.

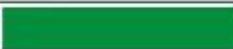
- **PM Vishwakarma scheme**

This scheme primarily focuses on the growth and development of Vishwakarmas who are traditional craftspeople and artisans. This scheme offers skills upgradation and training programs along with the variety of incentive schemes to support these Vishwakarmas in the society. PMV scheme help the craftspeople to attract new growth opportunities and create a brand image of their artistic work.

TOP 5 STATES WITH HIGHEST REGISTRATIONS

Karnataka	519,346	
Rajasthan	201,395	
Maharashtra	200,278	
Gujarat	195,759	
Madhya Pradesh	176,936	

TOP 5 TRADES WITH REGISTRATIONS

Mason (<i>Raj Mistri</i>)	425,881	
Tailor (<i>Darzi</i>)	396,800	
Carpentear (<i>Badhai</i>)	359,101	
Barber (<i>Naai</i>)	190,037	
Garland maker (<i>Malakaar</i>)	171,237	

*Data as of November 1. Source: NSDC

Data shows around 26 million applicants applied for PM Vishwakarma scheme in past few years.

- **Entrepreneurship and Skill Development Programme**

This program specifically focuses on nurturing the values like self-employment and entrepreneurship within the different sections of society. Skill development is an essential part of this program that ensures people have right skills and entrepreneurial mindset to establish a startup. For this purpose, variety of training programs introduced by the government that lies for time period between one day to six weeks.

- **Prime Minister's Employment Generation Programme**

This program aims at establishment of micro enterprises in order to create self-employment openings. Bank financed subsidy and margin money subsidy are the programs offered by the scheme while setting up any startup in non-farm sector. Sustainable and continuous employment of the artisans and traditional workers of the country is the main objective of this scheme.

Suggestion

In order to avoid startup failure, it is vital to understand the root causes of it and then develop a strategic path for the same. Deep market research should be the beginning point of any entrepreneurship journey. Along with it. A good financial plan is necessary while entering into the market. One should aware of initial investment, expenses and other financial requirements. A balanced team is other requisite for the start-up

success. A balanced team is one having common goals and who complements each other's competencies and talent.

Furthermore, online presence is vital now a days for any brand as helps to attract large customer segment however one should know its target customer and their desires. The business with traditional model can miss the opportunities therefore online presence is necessary to reach the customers. Along with it, an entrepreneur should develop learning behaviour where they not only learn with their past mistakes but also from their competitor's mistakes.

Conclusion

This study concludes that entrepreneurship is an imperative aspect that can lead to growth and development of the country in an efficient manner. Self-independency and reliance are main goals of entrepreneurial culture. In order to endure any startup, a proper planning and implementation is vital. However, lack who complement of research and knowledge results in failure of startups to a higher level every single year. Therefore, government has introduced several schemes and programmes to foster a culture of entrepreneurship and innovation in India. These programs make sure that the entrepreneurs are getting enough support via training, skill development program, incentive and financial assistance. Further, it can be said that fostering entrepreneurship values result in employment opportunities and improved standard of living of the people. Therefore, the Indian government is massively focused towards the entrepreneurship programs and schemes to generate a large number of entrepreneurs and startups within the country.

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