Challenges Faced by Early-Stage Start-Ups in the Indian Ecosystem and Their Survival Rates

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Abstract—In recent years, the number of start-ups globally has exponentially risen due to the increased support the start-up ecosystem is receiving. Start-ups in India account for 10-15% of the country's GDP and are vital to increased employment, innovation, and India's economic growth. In the words of prime minister Narendra Modi, "India has entered a golden era of start-ups," yet only 10-15% of early-stage start-ups survive, due to lack of funding, consistent government support and concrete policies. The purpose of this paper is to analyse and address three main goals; the current state of the Indian ecosystem, the sources of support for start-ups in the Indian ecosystem and lastly, the challenges that early-stage start-ups face and confront to succeed in the Indian ecosystem. This analysis is based on a collation of primary data through google forms questionnaires and interviews with Indian start-up founders as well as academia. Additionally, this paper is strengthened by the usage of secondary data derived from a literature reading's analysis.

Index terms—Start-ups, Early-Stage Start-up Challenges, Indian Ecosystem, Early-Stage Start-ups, Golden Era

I. INTRODUCTION

A start-up is generally deemed to be a new or young company founded for the sole purpose to strive to launch and develop a product or service with more than one USP (Unique Selling Point) and attempt to bring it into a certain market with the intent of it being irresistible to customers and in the long term, profitable. The main aim of a start-up is to create a unique product or service for which there is a latent demand rather than duplicating or enhancing an existing product like what other many other mature businesses do.

Start-ups are usually market-oriented businesses and therefore carry out a detailed analysis through extensive research of the market to identify consumer behaviour before creating a product or service. This creates less risk than a standard push-based product-oriented business and helps to determine customer needs and the requisite economics to attain profitability. Typically, start-ups begin by developing a Minimum Viable Product (MVP) and carry out primary market research through interviews and questionnaires and even secondary research which is less time consuming but can be out of date. Additionally, globally, start-ups are classified into seven stages: pre-seed, seed, early, growth, expansion, maturity, and merger & acquisition. However, only the first three of these stages are utilised to characterise early-stage businesses.

India, a country which has the fifth fastest growing economy and is the third largest base for start-ups, has faced a significant increase in the number of start-ups. For instance, in 2023 34,779 start-ups were established as compared to 19,371in 2021, delineating rapid growth in the Indian ecosystem due to continued increase in support within the Indian ecosystem. This upsurge has positively impacted the country's GDP (Gross Domestic Product) and generated increased employment with over 3,90,512 new jobs created in 2023 itself. Moreover, between 2016 and 2020 the start-up industry contributed to over 10-15% of India's gross domestic product (GDP). According to Ramdoss Seetharaman, senior partner at McKinsey & Company, in the coming years this contribution is expected to be on the rise.

The Indian ecosystem receives support from a diverse network of incubators, accelerators, government bodies, venture capitalists and many more funding sources. Incubators as well as accelerators in the Indian ecosystem provide resources and networking opportunities to start-ups as well as helping validate

and test start-up products in the market. Moreover, incubators also provide a range of services from business mentoring, a supportive environment, product market fit and access to funding to start-ups across multiple sectors. Government bodies and initiatives like Start-up India provide tax exemptions, legal support in patent filing, easy compliance and even laws enabled through the 'Shram Suvidha' portal for eligible start-ups. Additionally, in India 1900 start-ups have been eligible for tax exemption, and Start-up India has also provided Academia support by setting up 31 innovation centres, 15 start-up centres, 500 Atal tinkering labs and 7 research parks. Furthermore, angel investors, crowdfunding platforms and even venture capital firms play an important role in helping start-ups obtain necessary funding and continued financial support.

Moreover, the Indian ecosystem is perfected by unicorns or private companies that are reported to have a valuation of over USD 1 billion. In India the combined value of these unicorns is said to be $350 billion. These Indian unicorns such as Zomato, Swiggy, Ola and many others as per a report by Nasscom and Zinnov have created over 1.4 million jobs. Moreover, these unicorns like Paytm have also attracted substantial FDI's (Foreign Direct Investment's). Overall, the Indian edtech and e-commerce markets driven by unicorns such as Nykaa are expected and projected to reach $30 billion and $350 billion respectively.

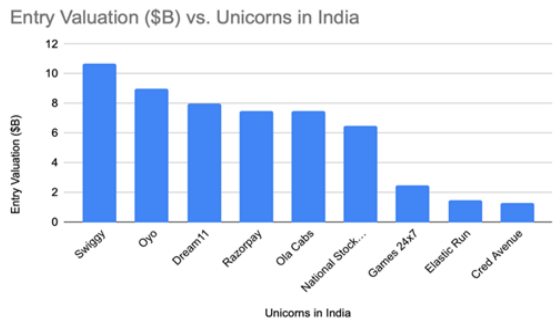

Fig 1 Entry Valuation ($B) of Unicorns in India

However, recent studies reveal that only 10-15% of early-stage start-ups in the Indian ecosystem survive leaving the rest of start-ups to shut down or struggle, primarily due to increased competition, lack of innovation, poor management, over expansion, the market dynamics, and economic conditions. This widespread problem requires an in-depth analysis of the current situation of the Indian start-up ecosystem and the challenges faced by early-stage start-ups that contribute to their survival rate. This papers aim is to explore these aspects in greater detail.

II. LITERATURE REVIEW

K. Joshi, K. Satyanarayana (2014) investigated what ecosystem factors impacted the growth of start-ups in India that were HiTech and concluded that ecosystem factors such as Venture Capitalist funding, Internet penetration and already existing HiTech businesses are more relevant for the growth of these start-ups than macroeconomic and traditional infrastructure.

H. Krishna, Bala Subrahmanya Mungila Hillemane (2019) noted through their data findings from over 45 HiTech start-up's headquartered across various parts of India, that transnational entrepreneurs are expected and confirmed to be more likely to achieve success of their business in comparison to local entrepreneurs in India.

Dr. S. Kalaiselvi (2021) concluded that over the past two decades the number of start-ups has increased due to developing Indian ecosystem, whilst identifying the challenges and gaps such as inadequate funding, lack of skilled employees' and infrastructure as well as regulatory issues. However, they did note and identify the key pillars of support for start-ups such as incubators and accelerators, venture capitalists, government support and partnerships with well-established companies.

The above-mentioned research papers have analysed the dynamic start-up ecosystem in India and its prevailing gaps. A thorough evaluation each of these motioned gaps such as funding issues, infrastructural issues, lack of talent acquisition, government support has been conducted in this research paper.

III. RESEARCH METHODOLOGY

Research Objectives:

- To understand the current ecosystem in India for start-ups.
- To evaluate the support system for start-ups in the Indian Ecosystem.

- To analyse the challenges that early-stage start-ups face and confront to succeed in the Indian ecosystem.

Participant Recruitment and Questionnaire Administration:

The participant recruitment and questionnaire administration for this research paper was carefully designed to maximise the understanding of the Indian ecosystem. The primary research was conducted via quota sampling, which was aimed to get a range of perspectives from stakeholders in the start-up ecology. The study's data collection consisted of two main components: a questionnaire and interview. The questionnaire was completed by 40 respondents across India and 10 interviews were conducted with founders of these early-stage start-ups as well as academia. The demographic breakdown of the quota sampling for the questionnaire and interview respondents included:

- Stages of Development: The start-up founders who filled the questionnaire were in varied stages of their development. This allowed for the inclusion of individuals in seed stage, early stage, growth stage and mature stage start-ups.
- Geographical Location: Most individuals who were interviewed or filled the questionnaire were not only based in the metropolitan cities ie; Mumbai, Kolkata, Chennai and Bangalore but also smaller cities such as Goa to capture perspectives from both urban and less urban ecosystems
- Sectors: The primary research was inclusive to individuals in most of the leading sectors in India such as healthcare, education, agriculture, and finance to get a broader understanding of the start-up ecosystem in India.

The questionnaire was circulated online through social media, as well as to school professors, external mentors and family and friends. The online circulation enabled a broader participation of individuals from different geographic locations. Moreover, secondary research was also conducted through the analysis of past newspaper reports, case studies, market reports and research papers on the Indian ecosystem to get a better appreciation of the future for start-ups in the Indian ecosystem. The questionnaire did not have an age limit for start-ups hence some start-ups established for over/near a decade also filled this form and provided more expert information about their early-stage start-up phase however a few were unable to recall information accurately.

Questionnaire Design and Development:

The questionnaire design and development were vital components of this study to get a comprehensive understanding and obtain data of the start-up ecology in India. The questionnaire consisted of 36 carefully curated short questions which were mostly composed of close ended questions and Likert scale questions, however there were a few open-ended questions to allow participants to respond in greater detail on specific issues. Additionally, each question was compulsory to answer except the amount of funding raised by the start-up. This allowed for an analysis of both quantitative and qualitative data to understand the challenges and gaps in the ecosystem. The questionnaire was divided into eight detailed sections to target different areas and characteristics of a start-up. The sections are as follow.

- General Information on the Start-up: The main aim of this section was to gather the general information of the start-up including its name, number of employees, location, and industry sector. These questions focused on basic quantitative and qualitative data to understand the background in detail.
- Founders Background: Questions in this section focused on the professional background of the founders. These questions included the founders age, professional work, education, and any previous entrepreneurial history. The main purpose of this section was to comprehend any factors in their background that influenced them to their start-up. The aim of this section was also to understand what motivates an individual on this journey.
- Funding and Financials: The main aim of this section was to highlight the financial aspects regarding the start-up, such as its sources of funding and support such as accelerators, government grants, bank loans, venture capital, personal funding, and angel investors. Furthermore, the amount of funds raised and the financial challenges they have faced or are facing should they chose to disclose.

- Challenges Faced: All respondent's stated their primary challenges they face or faced and rated 5 of the biggest challenges, 'Access to funding, market penetration, hiring skilled employees, navigating legal and regulatory issues and scaling operations,' on a Likert scale of 1-5. This section was also completed with an open-ended question for any additional challenges the start-up has faced or faces.
- Survival and Growth: This section explored various factors that was contributed to the start-up's growth and further survival. The questions included the status of the start-up, the key factors it considers vital for survival and growth, it's future and the reasons for closure if closed.
- Support and Ecosystem: This sections purpose was to understand the start-up's sources of support if they have utilised any and to rank each source of support on a Likert scale that they have utilised including, incubators, accelerators, mentorship, industry networks, government programs and which of those utilised worked or works the best for them. This sections main aim was to comprehend which sources of support works best in the Indian ecosystem for each start-up, what gaps are in the Indian ecosystem and the most important factors for a start to succeed and what should be removed from the ecosystem to help start-ups to grow.
- Follow Ups: This was the final section of the questionnaire where respondents could opt for a follow up interview.

The questionnaire was created on google forms an online platform that allowed easy distribution of the form which could be filled at one's convenience as well as allowing easy data collection and collation.

IV. DATA ANALYSIS AND OBSERVATIONS

This section consists of a detailed analysis of the collated primary research data conducted through the questionnaire and interviews as well as highlighting the key patterns and trends in the dynamic Indian ecosystem for start-ups.

Industry Sector Distribution:

The start-up ecosystem in India is home to a variety of industrial sectors, each majorly contributing to the country's economy. Through our questionnaire we identified ten different sectors as shown figure 2.

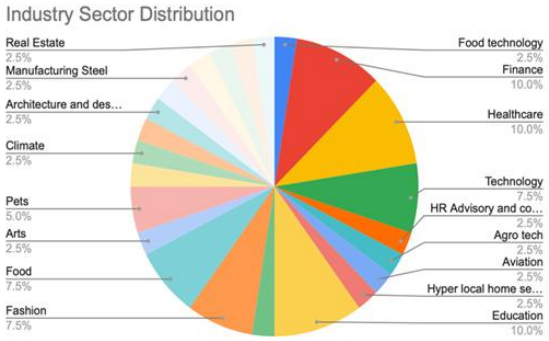

Fig 2 Industry Sector Distribution

The start-ups noted in our data sample as seen in the pie chart span a wide spectrum of industrial sectors in India which helps reflect the diverse nature of the innovation and current start-up ecosystem in India. The dominance of the healthcare, education, and finance as well as the importance of the technology, fashion and food sectors is evident by the multiple entries which reflects the increase in demand for innovations regarding healthcare and the important role of technology in India. The rise in healthcare start-ups accentuates the Indian focus on solving healthcare challenges and services. The repeated presence of technology start-ups delineates India's strengthened position as a global technology hub and the criticality of technology related start-ups in contributing to the nation's digital economy and advancements in the digital innovation. The emergence of start-ups in niche sectors such as Agro-tech, Hyper local home services and even waste management highlights the breadth of ventures in India and the shift towards tech-enabled and sustainable solutions in the traditional Indian industries. Agro-tech start-ups accentuate the country' shift towards the aggressive use of technology in agriculture to drive sustainability and increase productivity. Waste management start-ups delineate the nation's growing environmental consciousness, while Hyper-local home services represent new market opportunities in the Indian economy. This data also suggests traditional sectors like finance and healthcare yet attract significant business activity which accentuates their continued relevance in the Indian economy and the further scope for improvement and innovation in these fields, whilst new age sectors like fashion indicate the evolving consumer spending patterns in the Indian ecosystem.

Geographical Distribution of Start-ups in India:

The start-up respondents in this study were located in several key cities across the Indian subcontinent with different regional concentration in each.

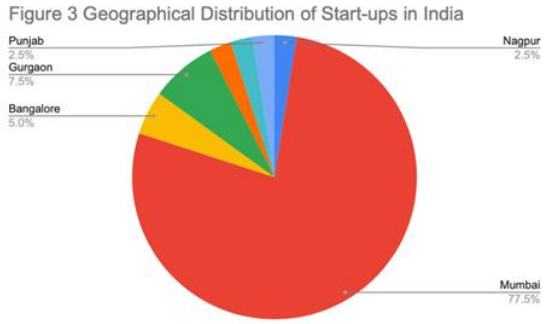

Fig 3 Geographical Distribution of Start-ups in India

Through an analysis from figure 3, Mumbai emerged as the dominant hub for start-ups in the Indian ecosystem and in our sample a majority of start-ups were located in Mumbai which exaggerates its pivotal role in the ecology for Indian start-ups. There are a variety of reasons for Mumbai' emergence as a predominant hub and through the pre-conducted interviews the reasons were as follow.

- Financial Capital of India: Considering that Mumbai is India's financial capital and hosts major banks, venture capital and private equity firms that are broadly focused rather than a particular sector and the stock exchange it is seen to provide start-ups especially early-stage start-ups with easier and better access to financial resources and opportunities for investment in start-ups.
- Diverse Economy and connectivity: Mumbai's diverse and unique economic base helps support a wide range of industries and in our data collection, start-ups in the healthcare and fashion industry were located in Mumbai. The cities advanced infrastructure and connectivity helps attract new entrepreneurs' due to the convenience to carry out business operations.

The increased concentration of start-ups in Mumbai signifies that the city's ecosystem provides enough and more opportunities to attract entrepreneurs to set up new ventures in the city that in turn increases the employment of those in the city which increases their GPP and overall, the country's GDP.

Gurgaon was the second largest host for start-ups with 7.5% of start-ups in our sample established there. The city is noted to have rapidly developed into another major business centre in the country due to its proximity to the city of Delhi or the national capital which allows access to government bodies for tax breaks, funding through grants and mentorship as well as access to a larger market. Gurgaon is also home to a variety of large Indian companies as well as multinational corporations which in turn creates a safe and viable environment for B2B start-ups.

The presence of an equal number of start-ups in Nagpur, Goa and Punjab emphasises on the emerging ecosystem of India where newer and smaller regions are becoming noticed by entrepreneurs. This in turn helps create regional diversification and lead to a more balanced Indian ecosystem and suggests the creation of new trends in India hence proving the point that India seems to be emerged in a 'Golden Era' for start-ups.

Sector Wise Distribution of Start-ups who are more than 4 years of age:

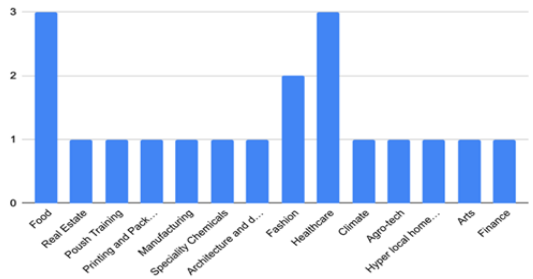

Fig 5 Graph Depicting startups who are more than 4 Years of Age

As per figure 5, out of the 40 start-ups that responded to the questionnaire, 19 start-ups were 4 years or more of age making them mature start-ups. With reference to the above graph the food and healthcare industry has the greatest number of mature start-ups in our sample which implies that these start-ups have successfully navigated through the initial challenges that early-stage start-ups face and moving towards greater maturity as well as successfully adapting to changing consumer demands like Agro-tech and Hyper local home services being established for a longer period than the other start-ups. The healthcare industry having more mature start-ups delineates the increasing demand for healthcare services, innovation and advanced medical treatment and care. From the

sample selected 47.5% of start-ups have been established for over four years showing the increase in support for start-ups in the current Indian Ecosystem as compared to the 2023 prediction made by ForgeFusion and StartupTalky that only 20% of start-ups survive in the Indian ecosystem. This highlights the growth in the Indian ecosystem as for the support it provides to start-ups.

Employees in Start-ups:

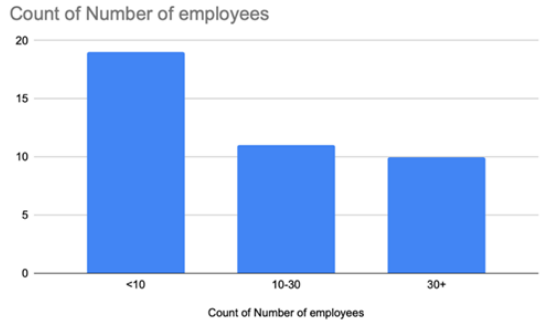

Fig 6 Employees in Start-ups

Figure 6 depicts that almost half of the start-ups in the sample (19 out of 40) employ lesser than 10 employees. This indicates a certain prevalence of start-ups in the Indian ecosystem function at a smaller scale. This could be possible due to a variety of reasons and when 5 of these small-scale start-ups were interviewed, they all had common points for their constraint of growth these challenges were,

- Talent acquisition: Many start-ups were specialised and required specialised workers however attracting these employees is seen to be a challenge for start-ups as they have limited ability to provide high compensation and with high risks in growth which employees may not want to risk their safe traditional jobs for.
- Constraint on resources: Certain start-ups may be shoe stringed and face financial constraints which can cause a disturbance in growth as owners cannot afford to pay employees and in turn, lesser goods are produced causing an effect on the start-ups ability to penetrate through its existing market and expand to new customers and markets.
- Limited career growth opportunities: Most small-scale start-ups have fewer roles available for a promotion which constraints the growth opportunities of an employee, whereas larger start-ups or traditional employers can provide secure jobs with training programs and better resources to help employees get promotions.

11 out of the 40 start-ups have between ten and thirty employees and this accentuates that these start-ups might be in their growth stage and need to overcome issues such as competition, funding, and management to scale their operations. Furthermore, 10 out of the 40 start-ups in the sample have more than thirty employees which implies that they could be more mature start-ups that could have greater stability, however using the number of employees to see the size of a business can be inaccurate at times due to different markets requiring different number of employees and it does not account for the productivity and efficiency of the employees.

Financial Status of the Start-ups:

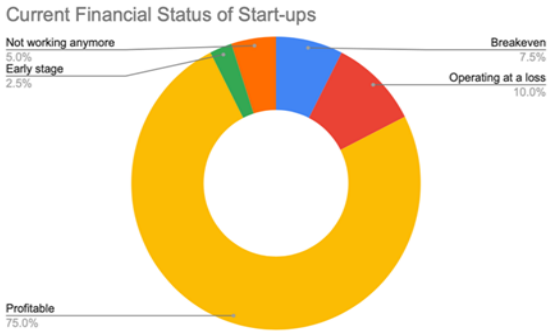

Fig 7 Current Financial Status of Start-ups

The graph shows the current financial status of the start-ups in the sample and 75% of the start-ups were profitable which indicates the success of the business models of these start-ups and proves how India is certainly in a golden era where many start-ups are being supported through many funding patterns. These start-ups during the interview stated that the common reasons, they were profitable was due to unique products with various unique selling points and increased operational efficiency but most of their key focus was to sustain and increase growth and manage the competitiveness in the market. Followed by the profitable start-ups were the start-ups operating at a breakeven meaning that these start-ups can cover the costs of their running operation's yet are not able to currently make profit. Lastly, those start-ups operating at a loss means that they cannot cover their operational costs and make a profit this could be due to funding issues, high investments, market competition and inefficiency. This data represents a range of financial

conditions in the Indian start-up ecosystem and delineates the challenges start-ups must overcome to breakeven and become profitable eventually.

Major Challenges Encountered:

This was a partially open-ended question where participants could select more than 1 option and even add their own response. This allowed start-up owners to select predefined choices but also have the flexibility of adding their own opinions.

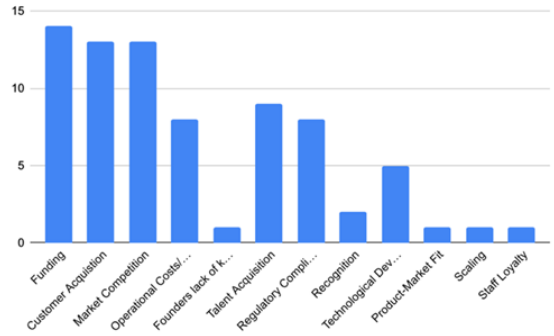

Fig 8 Major Challenges Encountered by Start-ups

As per the graph and study funding and customer acquisition are the most prominent issues that 14 and 13 start-ups out of 40 faces.

Funding and Financial Stability

Securing sufficient funding is vital for any start-up to grow as it provides confidence to investors to invest in the business and banks to provide loans, as well as being able to scale the business and pay employee wages which are needed to ensure efficiency and rapid market penetration.

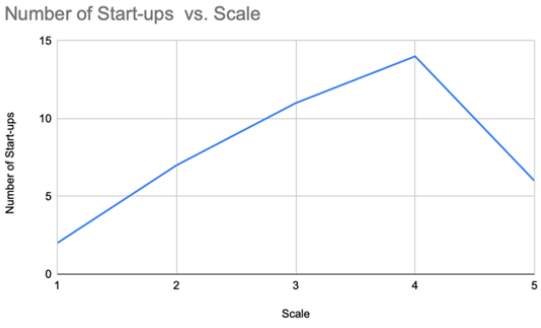

Fig 9 Likert Scale to Access to Funding

The following figure shows a Likert scale where start-ups rated their access to funding on a scale from one to five with one being the hardest access to funding and five being the easiest access to funding. The hardest access being the number 1 and 2 was rated by 22.5% of the sample which hints that these start-ups must be early-stage and facing a lack of investments and loans from banks as well as a slow cash inflow. The moderate access or the number 3 was rated by 27.5% of the sample indicating a mixed access to funding. The easiest access to funding the number 4 and 5 was rated by 50% of the sample showing better an easy access of capital for these start-ups allowing them to scale their operations and instil confidence in existing investors. To conclude, these ratings show that the access to funding in the Indian ecosystem is still a major issue as majority of the start-ups in the sample faced moderate to difficult access to funding and calls for the increased support and access to funding for start-ups from grants, loans, investments, overdrafts etc.

Customer Acquisition

Customer acquisition is another prominent issue as with a loss of customer acquisition businesses cannot retain customers which will lead to a loss of revenue generation where the start-up may encounter diseconomies of scale. Businesses can overcome this issue by building brand awareness through effective marketing strategies and trust among past and present customers which may lead to customer loyalty which encourages customers to keep repurchasing goods and even referring products.

Market Competition

Market competition is another recurring issue with start-ups meaning that early stage-startups entering a competitive market may have lower chances of surviving due to their lack of knowledge and experience in the market unless a thorough analysis was done prior to the product / service launch. Moreover, as an early-stage start-up entering a new market they might employ penetration pricing so that their pricing is lower than competitors. This ensures sales for the new start-up in the market, however, since the prices are low, the revenue may also be low making it harder for the start-up to breakeven and be profitable in the Indian economy. Most developed start-ups may make use of competitive pricing by making their prices similar or at a lower level than one's competitors however this could cost money and waste time in researching competitor prices, but sales could also be higher at the same time since the pricing is at a

more realistic level, allowing start-ups to breakeven after a point.

Talent Acquisition

Lastly, talent acquisition, regulatory compliance of navigating through legal issues and framework, technological costs and operational costs are all major issues faced by many start-ups and by deliberately and carefully addressing these issues, stakeholders of any start-up can create an environment that enables the success of start-ups and overall contribute to India's growing economy.

Gaps in the Indian Ecosystem:

This section provides a detailed analysis of the various gaps in the current ecosystem based on the responses of various stakeholders. In the questionnaire respondents were questioned on what was missing in the Indian ecosystem and in their opinion what more should be added in the Indian ecosystem to increase the growth and success of start-ups.

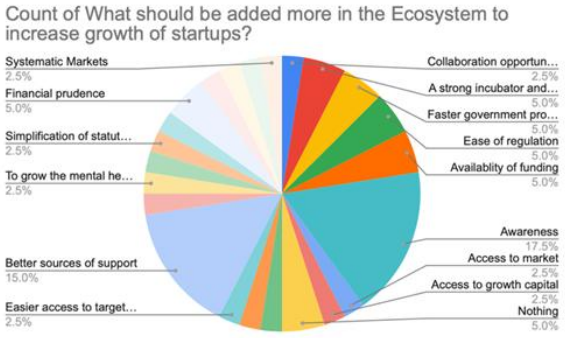

Fig 10 Factors to be Added in the Ecosystem to Enhance Growth Rate of Start-ups

A majority of respondent's stated that it is vital for an increase of awareness about resources start-ups require and rewards that these start-ups bring to our economy. Creating this awareness could possibly inspire new entrepreneurs to take more risks and for individuals to take risks and start their own businesses, as well as attracting investors to invest in these early-stage start-ups that can increase their capital to grow, This creates a positive boom in our economy as start-ups are employing more people causing a benefit to locals livelihood and these start-ups also contribute to the country's GDP. As per Manoj Kumar, a business professor at Dhirubhai Ambani International School, "The risk-taking ability in India is low, due to prevailing Indian stigmas," by inspiring more people to start their own start-ups this Indian 'stigma' against taking risks can be tackled and cause a chain effect of start-ups. Secondly, there is a need for the increased access of funding for start-ups. Start-ups require additional support from the pillars of support such as angel investors and government grants. With an increased access to funding start-ups can scale and grow their existing projects and, in the future, even aim to benefit from the economies of scale. Thirdly, regulatory, and legal issues are prevalent challenges and gaps that start-ups face in the Indian ecosystem, by easing regulatory compliances and lowering the compliance costs the Indian ecosystem then becomes more friendly and supportive to early-stage start-ups. Finally, the access to market it vital for any start-up to grow, as without access to. Market start-ups cannot sell or advertise their goods or services. In the Indian ecosystem this is a prominent gap and can be solved in the future by the Indian government through direct market intervention and reducing the lengthy processes in the Indian market to obtain licenses and permits to start a start-up.

Sources of Support and key factors of survival for a startup in the Indian Ecosystem:

This section provides a detailed analysis of the multitude sources of support and key factors that are vital for the survival of early-stage start-ups in India. The data has been collected through systematic sampling through the interview and questionnaire.

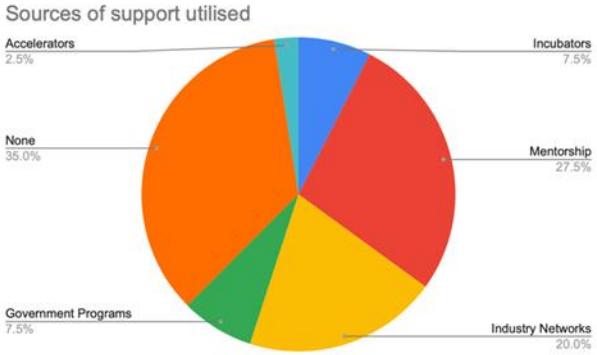

Fig 11 Sources of Support in the Indian Ecosystem for Startups

As seen in figure 11, 35% of start-ups did not use any sources of support however amongst those that did, mentorship is the biggest source of support for start-ups as per 27.5% start-ups. This indicates that start-ups prefer getting help from mentors who are experienced

professionals that help in strategizing the business plan, decision making and educate businesses with information they could be critical for their long-term survival. Secondly, industry networks as voted by 20% respondents are networks that provide early-stage start-ups with insights on specific industries and market, connections that can allow the start-up to build its reputation and attain feedback to help them succeed in the current Indian Ecosystem. Moreover, India is reported to have 816 combined accelerators and incubators, however only 7.5% respondents thought of incubators to be a valuable source of support. Incubators also provide a range of services from business mentoring, a supportive environment, product market fit and access to funding to early-stage start-ups. Lastly, 7.5% start-ups stated that government grants were vital sources of support this indicates that they are used less frequently that other sources of support. Furthermore, this accentuates the complex application process for government programs, as these processes are usually lengthy with detailed paper and legal work. For those early-stage start-ups with a lack of capital and funding this process may turn out to be lengthy and cost inefficient which eventually dissuades start-ups from applying for these grants.

In the Indian start-up ecosystem only 10-15% of start-ups survive however it is crucial for us to understand what the key factors are contributing to their success to help increase this percentage and number of successful start-ups in the Indian ecosystem. The analysis of the data as seen in figure 12 highlights the key factors such as innovation, customer focus, a strong team and strategic partnerships.

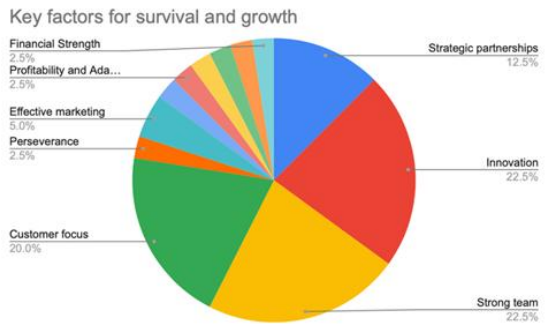

Fig 12 Key Factors for Survival and Growth of Start-ups

Firstly, innovation is the most frequently stated key factor which accentuates its importance in the success of modern start-ups. Considering that the Indian markets are constantly changing, start-ups must be able to innovate new products which have one or more unique selling points which can help them differentiate their products from their competitors, adapt to the market changes and even seek first mover advantage. This helps start-ups to grow exponentially while being ahead of most of their competitors. However, though innovation is a key factor to success it also requires lots of time and money to research the market changes and demands which early-stage start-ups may not have as well as well funded entrepreneurs who are creative as well as risk takers. Secondly, a strong team is seen to be the second most important factor of success of Start-ups. This allows start-ups to overcome complications and create new products with specialised workers which enhances innovation of the start-up. Followed by a strong team, customer focus is seen to be the third most important factor of success for start-ups. Start-ups that aim to build customer relationships and loyalty helps start-ups to grow through promotion of the start-up from positive word of mouth and customers revisiting the same start-up. Since it is more expensive to attain new customers than to keep the old ones, start-ups can deliver superior customer service which is not always producing a good product but also means providing information about the product, providing after-sales care, and even providing credit facilities. Overall, this helps customers to see that the start-up cares about its customers and builds loyalty. However, start-ups with limited finance and resources could find it challenging to help build customer relationships as their main goal maybe to breakeven or become profitable. Lastly, strategic partnerships and strong team are both critical aspects that contribute to a start-ups success as firstly strategic partnerships enable the start-up to gain access to new markets, gain support and credibility, and even gain resources that start-ups require to scale their business.

CONCLUSION

This research has provided a detailed analysis of the challenges faced by early-stage start-ups in the Indian ecosystem, the pillars of support in the Indian ecosystem and gaps in the Indian ecosystem by focusing on aspects such as, geographical context, industry distribution, financial stage, key factors contributing to survival and employee count. The findings delineate that the Indian start-up ecosystem is

promising to numerous start-ups, yet start-ups face a multitude of challenges and gaps that are required to be addressed such as funding and customer acquisition. Acquiring funding is a recurring obstacle for start-ups and only by overcoming this obstacle can start-ups finally scale their operations and grow. The analysis of the financial status of start-ups revealed that though 75% start-ups were profitable, however 25% start-ups operated at a breakeven or at a loss, this accentuates the financial instability of start-ups in the Indian ecosystem, yet profitability is a goal attained by numerous start-ups highlighting the favourable economic conditions in India. However, early-stage start-ups lack adequate resources and finance to conduct market research on competitors and the demands of customers in the market. The analysis of the employee demographics delineated that a majority of the start-ups in the sample space functioned with a team with less than 10 employees, this in turn limits the start-ups ability to scale its operations and keeping in mind the constant changes in the Indian market start-ups without a strong team are not able to adapt to these market changes by innovating new products with unique selling point's to gain the first mover advantage. These obstacles prevent start-ups from entering the competitive Indian start-up ecosystem making it harder for start-ups to scale their operations and even establish themselves. This simply highlights the financial precariousness of start-ups in the Indian ecosystem and the requirement of a more supportive environment for start-ups wherein start-ups face less regulatory as well as financial complications.

Furthermore, from our data sample start-ups were mainly a part of the technology, healthcare, and finance sector. While an increased concentration of start-ups in these sectors indicates significant growth potential it also indicates the need for more diversity in early-stage start-ups, for example, the food technology sector is vital for our Indian economy is less represented in our Indian ecosystem which highlights the gap in our ecosystem of an unbalanced representation of start-up sectors. Geographically start-ups in our data sample were mostly located in the major metropolitan cities of India i.e. Mumbai, Bangalore, and Delhi, which could be caused due to multiple reasons however these cities have superior access to funding, infrastructure, and resources. However, the increased concentration in these urban cities elucidates the regional imbalances as smaller cities and rural areas face a lack of start-ups. This highlights the regional and industrial imbalances in our Indian ecosystem.

Additionally, through a detailed analysis of the sector wise distribution of start-ups in India, mature start-ups or start-ups existing for more than 4 years are mainly found in food and healthcare sectors, whereas finance and fashion face more issues in reaching maturity. This disparity connotes the need for increased attention and support in these less mature sectors to help increase the success rate of start-ups in the Indian ecosystem.

Moreover, the Indian ecosystem while having a plethora of gaps and challenges, it is also perfected with its strengths particularly its increased concentration in the financial, healthcare, and technological sectors, which have attained success in the Indian ecosystem due to the countries numerous incubators, accelerators, government programs like 'Start-up India' and mentorship programs. The presence of these programs in the Indian ecosystem plays a critical role in the survival of start-ups and additionally, helps many start-ups to become profitable as seen in our data sample where 75% of the Indian start-ups were profitable. Furthermore, due to these increased sources of support in the Indian ecosystem the number of unicorn start-ups in India has exponentially increased to the point where India is ranked third globally in terms of unicorn count due to India's fast paces and dynamic economy.

The Indian ecosystem under the Start-up India program is constantly improving and becoming more start-up friendly. Some benefits provided under Start-up India entail; an 80% reduction in the cost of filing patents, easy registration of start-ups by filling a form and uploading documents on the programs website, easier access to funds as a ten thousand crore rupees fund was set up by the government to provide funds to start-ups thereby acting as a venture capitalist, tax holidays for three years if they get a certificate from the Inter-Ministerial Board (IMB), creation of seven new research parks to help provide facilities to start-ups in the R&D sector and no time consuming compliances.

To conclude, the Indian start-up ecosystem is complemented by its strong advantages especially in the technology and healthcare sectors which underscore the ecosystems future potential for growth and global success such as having the third largest number of unicorns globally. However, the ecosystem also has multiple gaps that need to be addressed such as the need for a strong incubator and accelerator program, ease of regulations and faster government programs and processes. Improving these gaps could help nurture more start-ups and prevent challenges such as regional imbalances and limited access to funding. In our opinion, by focusing on overcoming the prevalent challenges in the ecosystem and effectively leveraging the ecosystems current strengths the start-up ecosystem in India can help increase the success rate of start-ups.

Inorder to help strengthen the Indian ecosystem, the following suggestions and recommendations are as follows:

- Improved access to funding through government grants and venture capitalists
- Development of start-ups in rural cities to help balance the growth in all regions of India,
- Creation of online platforms to help;
  a. increase start-up connectivity and access to domestic and international markets as well,
  b. increased awareness on the start-up ecosystem in India by providing resources to entrepreneurs to learn more about the ecosystem from professionals on a collaborative mobile app where beginner entrepreneurs can converse with professionals.

Research Limitations:

- The research data was only limited to the 40 respondents who filled the survey and were available for the interview using systematic sampling.
- The respondent's start-up age and type were also mixed, and no specific start-up group was targeted.
- Some start-ups were established for over/near a decade and when questioned about their early-stage start-up days, they were unable to recall information accurately.

Future Scope of Research:

Start-ups in India are currently on the rise and are extremely important for the nation's economic growth where even PM Narendra Modi has referred to India entering a golden era for its start-ups. However, future studies should be carried out to understand more innovative ways to enhance the success rate of start-ups in India.

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DECLARATIONS

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Consent to participate Not applicable

Consent for publication Not applicable.

Competing interests the authors declare no competing interests.

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