

Challenges and Opportunities Faced by Innovative Entrepreneurs in India

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Abstract

When scarce resources are organized and used effectively and innovatively, it leads to the overall development of the country. The process of effectively and innovatively organization of scarce resources is entrepreneurship. Entrepreneurship plays a significant role in the development of any economy. Entrepreneurship leads to employment-generating opportunities, rural development, technological development, national income, industrialization, export promotion, etc. In India, a large number of small, medium, and large entrepreneurs contribute to the process of economic development, and every entrepreneur has some challenges and opportunities. This paper aims to analyze the challenges and opportunities faced by innovative entrepreneurs in India.

Keywords: Innovation, Entrepreneurship

Introduction

Innovative entrepreneurs have the capability of creating innovative products for the market. Innovative entrepreneurship can develop ideas that manage businesses successfully. Innovative entrepreneurs are people who successfully establish and create new business ideas to accomplish company goals, generate profit, and assist their community. Innovation helps an entrepreneur improve or replace a particular process, product, or service. It allows entrepreneurs to upgrade their products or services by creating new ideas. Innovative entrepreneurs embrace various strategies to conquer the challenges in their businesses. It requires entrepreneurs a clear strategy and a vision to instigate some innovative things in the company. Developing new ideas require continuous challenges and prospecting new process or methods. Such entrepreneurship help in building the perfect strategy to implement their ideas and can introduce innovative product and services, processes, and business model for improvement. Innovative entrepreneurs have a significant contribution of start-ups to economic growth. They are supposed to have the potential to become a driving force for industrial renewal, improvement of individual skills and knowledge, and territorial development, thereby increasing competitiveness in the economy. In recent decades, innovation has become a key factor in economic development. Innovation is a significant condition for an enterprise to acquire a competitive advantage. At the same time, start-ups have become a major driver of continuous and sustainable economic growth.

Literature Review

Lowrey (2003)¹ defined 'entrepreneur' as an individual who desires to accomplish his goals of economic accomplishment and growth. This paper analyzed that promoting innovative entrepreneurs to boost startups is an effective tool to control corruption prevailing in the economy.

Sarasvathy, Dew, Velamuri & Venkataraman (2003)² found three approaches to entrepreneurial opportunities, that are discovery, creation, and recognition. They analyzed that every invention generates opportunities for the formation of several economic outcomes. Their approaches based on the view that the market is an allocative process focus on the effect of opportunity creation.

Alvarez & Barney (2007)³ state that opportunities are created by the actions of entrepreneurs.

Shahidi & Smagulova (2008)⁴, studied that the major challenge faced by new entrepreneurs is their potential for new business opportunities with persisting industrial changes and trends that are constantly developing to attract customers. Industrial trends pose a big challenge, especially for new entrepreneurs who are not experienced in the business arena. They are unable to spot business opportunities.

According to Kanchana, et al. (2013)⁵ studies that an entrepreneur has to convince investors to start an innovative business. Also raising capital is very difficult in the case of innovative businesses. Most investors prefer to invest in an already-established business where risk is minimal. For the new entrepreneurs, it is difficult for them to become a competitor to these established businesses since they are new in the field and also are less experienced, and have low-income earnings compared to the established businesses. Hence, acquiring investors' interest to invest in their new business is always difficult and also a great challenge for them. That's why raising capital for a new business start-up can be designated as one of the major internal challenges faced by new innovative entrepreneurs.

G. Sharma & K. Kulshreshtha (2014)⁶ studied that new entrepreneurs have to face various challenges and opportunities in emerging economies that would help entrepreneurs to sustain success by developing suitable strategies. They also revealed that entrepreneurs have to design their business strategy by taking care of economic advantages and disadvantages.

Khosa & Kalitanyi (2014)⁷ studied that lack of sufficient funds restricts the growth of the business. Small businesses need adequate funds to boost operational efficiency. Entrepreneurs need to invest money to make a knock in communities. Entrepreneurs need adequate funds to perform their business activities.

Prem S. Potabatti & Nikhil D. Boob (2015)⁸ concluded that innovation plays a very significant role in the growth of an economy. Young and innovative entrepreneurs can play a crucial role in the development of any economy, but they also have their challenges and opportunities.

Hampel-Milagrosa et al. (2015)⁹ concluded that young entrepreneurs face a lot of challenges when entering into business. Some of these are unfavorable government policies, lack of experience in running the business, and insufficient funds. The prominent challenge that affects business is the lack of funds.

A. Sarkar (2016)¹⁰ found that some entrepreneurs do not spend the money for the expansion of their businesses, therefore, their businesses become limited to growth. When adequate funds are not invested

in production, marketing, qualified workforce, technology, and provision of the best working environment, its growth becomes stagnant.

Porter & Kramer (2019)¹¹ concluded that Capital is indispensable for start-ups. They require adequate funds to employ more employees, provide them with a good salary, market their products, and services, etc.

Objectives

1. To analyze the opportunities and challenges (internal and external) faced by innovative entrepreneurs.
2. To provide suggestions to meet the challenges faced by new/innovative entrepreneurs.

Methodology

The present study is based on secondary data. The data was collected from various online journals and publications that were related to the topic of the study.

A business opportunity is a chance to take advantage of a business. It presupposes some kind of conducive environment that exists in the market. A business opportunity is something that makes some businesses succeed or fail. There are many opportunities found in the world of business, which every entrepreneur might not be able to spot. A business opportunity can be defined as an economic idea that can be executed to create a business venture and earn profits.

Elements of a business opportunity

- **Assured Market Scope:** Market scope for a product or service is their estimated value in a particular market. The market scope is the prospective customers of the product/service offered by a business. How much a business can earn from a particular product/service. The entrepreneur has to assure the share of the market of its products or services that are offered to the consumers.
- **An Acceptable and Attractive Rate of Return on Investment:** It is how much money and time an entrepreneur has to invest. An entrepreneur has enough information to calculate what they get from their business. At least a minimum acceptable rate of return from an investment is important. By considering the risks of the investment and the opportunity cost of it an investment should be made. To start a business the rate of interest and minimum, acceptable, and attractive rate of return must be kept in mind.
- **The Practicability of the Idea:** “Practicability” means the feasibility or possibility of something. That is if any idea is sounding good but is it practicable? whether that particular idea can be put into practice or not.
- **Competence of the Entrepreneur to Encash it:** There should be Entrepreneurial Competencies in entrepreneurs that form the basis of the success of any idea. All the good plans, ideas, and possibilities depend on the entrepreneur’s ability. They are Opportunity-seeking and initiative, Commitment, Persistence, Taking calculated risks, Information seeking, Goal setting, Systematic planning and monitoring, Independence, networking, Persuasion, and self-confidence
- **The Potential of Future Growth:** Potential future growth is the ability of an organization to increase production, generate larger profits, and expand its workforce. Growth potential depends on the interest of public and private investors, stakeholders, and venture capitalists.

Challenges Faced by New/Innovative Entrepreneurs

Entrepreneurs nowadays face a lot of challenges in this well-connected global business arena such as production, procurement of raw materials, marketing, distribution, etc. the challenges of entrepreneurs may be divided into external and internal.

Internal Challenges Faced by Entrepreneurs

Entrepreneurs have to face various internal challenges in the business. For a new entrepreneur, internal challenges arise mostly from personal reasons that are as under:

1. **Developing Business Idea and Vision:** Seeking a business idea is a challenging task for new entrepreneurs as these ideas are challenging to find in their daily routines. This is the very first challenge faced by all new entrepreneurs to start a business from scratch. For this, an entrepreneur should have the ability to “envision the idea” that is “to see what others cannot see”. An entrepreneur must be able to find opportunities when others see problems. It means an entrepreneur must be able in bringing innovative products into the market to satisfy the public. Apart from that, developing a vision is another critical aspect of a new business. Developing a vision requires not only creativity but also the artistic sense of a new entrepreneur. An entrepreneur must visualize and forecast the future because it is vital for an entrepreneur.
2. **Raising Capital for Start-up:** Another major challenge that new entrepreneurs usually face while starting a business is raising capital for their business. While starting an innovative business, an entrepreneur has to convince the investors about something that is new and that does not exist. He/she also attains their trust in the task proposed so that they can invest in it. Most investors prefer to invest in an already established business that has minimum risk. It is difficult for investors to be a competitor to these established businesses. Since the new entrepreneurs are less experienced as they are new in the business arena as compared to the established businesses. Hence, gaining investors' interest to invest in their new, innovative, and non-established business is always difficult and a great challenge for them. That's why raising capital for new/innovative business start-ups can be considered one of the internal challenges faced by new entrepreneurs.
3. **Finding the Right Business Location:** The selected location has to be an efficient one to ensure the future development of the business. For that, an entrepreneur has to consider the infrastructure facilities, better network connectivity, and other amenities in a good place, and also where the population is growing rapidly. This can be considered an internal challenge as such a place requires high rent/cost which causes a financial crisis for the new entrepreneurs. Therefore, new entrepreneurs should have the ability in searching for a such location to secure their business growth which is a challenging task for them to find good business locations.
4. **Finding Good Employees:** Finding good employees is not an easy task. It is very difficult for business owners to find trustworthy and hardworking employees. Most employees want to do less work but are willing to be paid more. Therefore, finding a passionate, hardworking employee is quite difficult.

External Challenges Faced by New Entrepreneurs

Entrepreneurs also have to face many external challenges in the business field. The external challenges arise from the environmental factors that spread around a new entrepreneur. External challenges include the prices of a product, competition within the market, and rules and regulations from the government. The most common external challenges faced by new entrepreneurs while starting a business will be discussed as follows:

1. **Scanning the Environment:** The new/innovative entrepreneur must take into consideration the environmental situation. It is the strengths, weaknesses, opportunities, and threats (SWOT analysis) of the business enterprise. New entrepreneurs should scan the environment internally and externally. The external environment scanning incorporates the governmental, sociocultural, technological, economic, and demographic changes taking place. The information about the external environment can be gathered through friends, bankers, magazines, newspapers, family, colleagues government departments, suppliers, dealers, suppliers, competitors, etc., the entrepreneur should collect information from many resources as possible and then analyze them to understand whether the information is supportive of the business venture. The information is more supportive to the new young entrepreneur to get the confidence for the success of the business. Whereas internal environmental scanning consists of the availability of raw materials, finance, machinery, securities, human resource, etc.
2. **Dealing with Competition:** All entrepreneurs have to face competition when starting up a new business. Many new entrepreneurs consider competition as a big challenge as it makes it difficult to build their business reputation in the eyes of the customers. The business idea of the new entrepreneur might clash with the idea of an established business that leads to the loss of their customers, which creates a big challenge in front of the new entrepreneurs. Another most frequent competition faced by new entrepreneurs is their ability to pursue new business opportunities with persisting industrial trends and changes. Industrial trends have made the businesses and broken lots of businesses that pose a challenge for new entrepreneurs who are not experienced in the business arena. Competition can be considered a good challenge for a new entrepreneur to develop their business. Competition forces entrepreneurs to constantly improve their products or services to remain in the world market. It stimulates the production of high-quality products at considerable prices to attract customers and also innovate new products, processes, techniques, and methods of production for their businesses. Thus, competition can be considered a positive challenge for new entrepreneurs which trains them to learn and improve their business through innovation and creativity which are crucial parts of an entrepreneur.
3. **Unforeseen Business Challenges and Expenses:** In business, unforeseen challenges and expenses are one of the greatest challenges faced by entrepreneurs. In business, unexpected problems strike without any warning such as bad debts from customers, unexpected lawsuits, inconsistent government policy, unpaid bills, and taxes or inadequate stock. Therefore, an entrepreneur has to always be prepared for unforeseen challenges and solve these challenges or crises. These unforeseen or unexpected business challenges need to be handled properly by an entrepreneur or else they might affect the business. If these challenges are not tackled properly then they might lead to the failure of the business.
4. **Finding Good Customers:** Another external challenge that new entrepreneurs face is finding good customers. Finding good customers is very significant in starting a business and is of utmost importance in the success of a certain business. Good customers always help build a business. They always try to do the right thing about the business that can benefit both the company and themselves. They always appear loyal to the company. They also provide useful comments on the products or services of new businesses so that necessary improvements can be made by the entrepreneurs. It is very difficult for businesses to find new customers whereas bad customers are found very easily and new entrepreneurs must be aware of them. Bad customers can be categorized as those people who are choosy and authoritarian on minor issues that happen. Bad customers always try to demolish the business and exploit the company by looking at loopholes in the company's policy. Therefore, the

new entrepreneur must be prepared to face both good and bad customers in the process of developing their business. Though good customers are difficult to find. By making good customers, new entrepreneurs can build their businesses successfully.

5. **Taxation and other Government Laws:** It is very difficult for a new business to come up with these problems. Recently the government has changed the format of taxation. Instead of many taxation systems (excise tax, sales tax, corporation tax, and other taxes), the central government has implemented a new tax formula that is known as GST. Due to the implementation of GST, many modifications and changes were made and entrepreneurs faced problems in implementing and understanding legislation for their businesses. For this purpose, entrepreneurs are being assisted by lawyers, tax experts, or Chartered Accountants (CAs).

Suggestions to Meet the Challenges

Following are the suggestions to meet the challenges faced by new/innovative entrepreneurs:

1. **Being Optimistic towards Challenges:** New entrepreneurs always have to face challenges, setbacks, and obstacles which are very common hindrances that new entrepreneurs face while establishing a new business. An entrepreneur experiences many challenges both externally and internally as discussed above. New entrepreneurs have to face these challenges with positive attitudes and should have a competitive spirit among them. New entrepreneurs must regard these challenges as opportunities and accept them to improve their business's growth and must adopt certain measures to avoid experiencing the same problems again in the future. New entrepreneurs need to be optimistic in every situation, either good or bad, to achieve success. Entrepreneurs should grab the opportunities from the challenges to establishing a business venture Instead of taking challenges as a hindrance.
2. **Expand the Idea and Vision to Potential Investor:** The most important challenge faced by any new entrepreneur is raising funds for their business startup. Entrepreneurs also face problems in developing visualization among people towards their business perspective. Therefore, to face this challenge an entrepreneur needs to develop the ability or skills to promote their idea and vision to their potential investors. Potential investors seek the strength of business opportunity, quality management team, and the return that they will get from their investment in a new business. Hence, new entrepreneurs need to identify potential investors who can help them in developing their businesses. For this new entrepreneurs should empower themselves with convincing skills so that investors invest in their proposed business idea. That is why new entrepreneurs should have a clear and organized business plan which can attract potential investors. A business plan should be more realistic in planning as well as appropriate actions or decisions must be taken while developing the business.
3. **Research the Target Market and Analyse Competitive Products:** Competition is another challenge that is commonly faced by newly startup or established businesses. To tackle such a problem, it is suggested to new entrepreneurs that they should do some research on analyzing the competitor's product and target market. To survive in the competitive business field, it is also suggested to entrepreneurs analyze competitors' pricing and advertising strategies, advertisement and selling methods, which will help them in dealing with the competition. It is also suggested to research online businesses, as it is free of cost and it shows the recent trend of the business market. It is highly significant because nowadays social media is easily accessible to the public. For most people around the world, it is a daily routine to stay online thus, enabling entrepreneurs to promote their products and services hassle-free, without any cost, and also gain information about the

consumers more easily. Nowadays people have the habit of likes and comments on a certain product or service, also they are giving reviews regarding that, so entrepreneurs can make use of this information to make strategies for their business idea to attract customers.

4. **Enrich Oneself by Reading Inspiring Materials:** It is highly recommended to new and innovative entrepreneurs to bring in positive thoughts for their products or services. It is suggested to new entrepreneurs to read various magazines and business-related materials to enrich themselves with useful knowledge that can help them in overcoming the challenges faced and also develop their businesses.

Conclusion

An entrepreneur is a person who starts or owns a business, always seeks change, responds to the change, and exploits it as an opportunity. They constantly pursue their goals even though there are various challenges and obstacles. An entrepreneur is a person who is also responsible for contributing to the economic growth of the country. However, new entrepreneurs are prone to face challenges. From the findings, it was found that the common challenges faced by new entrepreneurs are developing business ideas, vision & mission, raising capital for start-up, finding the right location for their business, competition, unforeseen and unexpected business challenges and expenses, and finding good customers as well. Thus, to overcome these challenges, some suggestions have also been included in this paper.

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