



**JOURNAL OF SCIENTIFIC LETTERS**  
**www.jslsci.com**

**A CRITICAL STUDY OF FACTORS AFFECTING THE  
PERFORMANCE AND SUSTAINABILITY OF START-UPS IN INDIA**

**Shonal Gupta**

Research Scholar, Department School of Commerce and Management, Arni University, Indora,  
Kangra (HP), India

**Dr. Priya Yadav**

Associate Professor, Department School of Commerce and Management, Arni University,  
Indora, Kangra (HP), India

**ABSTRACT**

Start-ups have emerged as a significant driver of economic growth, innovation, and employment generation in India. With the rapid expansion of the Indian start-up ecosystem, understanding the factors that influence their performance and long-term sustainability has become increasingly important. This theoretical research paper critically examines the internal and external factors affecting the performance and sustainability of start-ups in India. Drawing upon existing literature, entrepreneurial theories, and policy frameworks, the study analyzes key dimensions such as entrepreneurial skills, access to finance, market dynamics, technological innovation, regulatory environment, and organizational culture. The paper highlights major challenges faced by Indian start-ups and offers theoretical insights into strategies that can enhance their sustainability in a highly competitive and complex market environment.

**Keywords:** Start-ups, Sustainability, Performance, Entrepreneurial Skills, Market Complexity, Indian Economy

## **I. INTRODUCTION**

In recent years, start-ups have emerged as a powerful force driving economic growth, innovation, and employment generation across the globe. In the Indian context, the start-up ecosystem has witnessed remarkable expansion, making India one of the fastest-growing start-up hubs in the world. Fueled by technological advancement, a large consumer base, increasing digital penetration, and supportive government initiatives, Indian start-ups have transformed traditional business models and introduced innovative solutions across sectors such as information technology, fintech, healthtech, edtech, e-commerce, and renewable energy. As a result, start-ups have become a vital component of India's economic and developmental strategy.

The concept of start-ups goes beyond the mere establishment of new businesses; it represents entrepreneurial ventures that are innovation-driven, scalable, and capable of creating significant socio-economic impact. Start-ups are typically characterized by high levels of uncertainty, limited resources, and intense competition. While many start-ups demonstrate strong initial growth, sustaining performance over the long term remains a major challenge. Performance and sustainability are therefore critical dimensions for evaluating the success of start-ups. Performance refers to the achievement of short-term objectives such as revenue growth, market share, operational efficiency, and customer acquisition, whereas sustainability emphasizes long-term survival, adaptability, and resilience in a dynamic business environment.

Despite the rapid growth of the Indian start-up ecosystem, a substantial proportion of start-ups fail within the first few years of operation. Studies and industry reports suggest that factors such as inadequate funding, lack of managerial skills, intense competition, regulatory complexities, and failure to achieve product-market fit significantly affect start-up outcomes. These challenges highlight the need for a deeper understanding of the factors that influence start-up performance and sustainability, particularly within the unique socio-economic and institutional context of India.

Entrepreneurial skills and human capital play a central role in determining start-up success. Founders' abilities in leadership, decision-making, risk management, innovation, and strategic planning directly influence how effectively start-ups respond to uncertainty and competition. In India, many start-ups are founded by technically proficient individuals who possess strong domain knowledge but may lack business and managerial expertise. This imbalance often affects financial

planning, team management, and market strategy, ultimately impacting performance and long-term sustainability. Therefore, examining the role of entrepreneurial skills and human capital is essential for understanding start-up dynamics.

Access to finance is another critical determinant of start-up performance. Adequate financial resources enable start-ups to invest in technology, talent, infrastructure, and market expansion. While India has witnessed significant growth in venture capital and angel investment, access to finance remains uneven, especially for early-stage start-ups, small enterprises, and ventures operating in non-metropolitan regions. Moreover, access to funding alone does not guarantee success; effective financial management is equally important. Poor cash flow management, high operational costs, and lack of financial discipline have led to the failure of several promising start-ups. This underscores the importance of financial literacy and strategic financial management for sustainable growth.

Market dynamics and competition further shape the performance and sustainability of start-ups in India. Indian markets are complex, diverse, and highly competitive, influenced by factors such as price sensitivity, changing consumer preferences, technological disruption, and globalization. Start-ups often face strong competition from established firms and multinational corporations with greater resources and market presence. Achieving product–market fit, differentiating offerings, and building customer trust are persistent challenges. Start-ups that fail to adapt to market changes or anticipate competitive pressures struggle to sustain growth over time.

The regulatory and policy environment also plays a significant role in shaping start-up outcomes. Government initiatives such as Startup India, tax incentives, and ease-of-doing-business reforms have created a more supportive ecosystem. However, regulatory compliance, policy uncertainty, and bureaucratic procedures continue to pose challenges for many start-ups. A stable and transparent regulatory framework is essential for fostering entrepreneurial confidence and long-term sustainability.

Given these complexities, a critical study of the factors affecting the performance and sustainability of start-ups in India is both timely and relevant. Understanding how internal factors such as entrepreneurial skills, financial management, and organizational culture interact with external factors such as market dynamics, competition, and regulatory environment can provide

valuable insights for entrepreneurs, policymakers, investors, and academicians. This study aims to contribute to the theoretical understanding of start-up sustainability by critically analyzing these factors within the Indian context. By doing so, it seeks to highlight strategies and approaches that can strengthen the resilience and long-term success of Indian start-ups, thereby supporting sustainable economic development and innovation.

## **II. CONCEPTUAL FRAMEWORK OF START-UP PERFORMANCE AND SUSTAINABILITY**

The conceptual framework of start-up performance and sustainability explains how various internal and external factors interact to influence the short-term success and long-term survival of start-ups. Performance generally refers to the ability of a start-up to achieve its immediate objectives such as revenue generation, market penetration, customer acquisition, and operational efficiency. Sustainability, on the other hand, focuses on the long-term capacity of a start-up to survive, adapt, scale, and remain competitive in a dynamic business environment. Both dimensions are interrelated, as strong performance often lays the foundation for sustainability, while sustainable practices enhance consistent performance over time.

At the core of the framework are internal factors that are largely within the control of the start-up. These include entrepreneurial skills, leadership quality, human capital, organizational culture, innovation capability, and financial management. Entrepreneurial competencies such as strategic decision-making, risk-taking ability, adaptability, and problem-solving skills significantly influence how effectively resources are utilized. Human capital in the form of skilled employees and experienced founders contributes to innovation and efficient operations, while a positive organizational culture fosters teamwork, commitment, and continuous learning, thereby improving overall performance.

External factors form another crucial component of the conceptual framework. These include market dynamics, competitive intensity, technological changes, access to finance, regulatory environment, and socio-economic conditions. Market-related factors such as customer demand, pricing pressure, and competition determine a start-up's ability to achieve product-market fit and sustain growth. Access to finance through investors, financial institutions, and government schemes affects a start-up's capacity to invest in innovation, expansion, and talent acquisition.

Similarly, regulatory policies and institutional support play a significant role in shaping the ease of doing business and long-term viability.

The framework also highlights the role of innovation and adaptability as linking elements between internal and external factors. Start-ups that continuously innovate and adapt to changing market conditions are more likely to sustain competitive advantage. The integration of technological advancement with effective business models enables start-ups to respond proactively to external uncertainties. Thus, the conceptual framework presents start-up performance and sustainability as outcomes of a dynamic interaction between internal capabilities and external environmental forces, emphasizing the need for a holistic and strategic approach to entrepreneurial success.

### **III. ENTREPRENEURIAL SKILLS AND HUMAN CAPITAL**

Entrepreneurial skills and human capital are fundamental determinants of the performance and sustainability of start-ups. Entrepreneurial skills refer to the abilities and competencies possessed by founders and key team members to identify opportunities, take calculated risks, mobilize resources, and manage business operations effectively. These skills include strategic planning, leadership, decision-making, communication, problem-solving, and adaptability. In the context of start-ups, where uncertainty and rapid change are common, strong entrepreneurial skills enable founders to respond effectively to challenges and seize emerging market opportunities.

Human capital represents the collective knowledge, education, experience, and expertise of individuals involved in the start-up. According to Human Capital Theory, individuals with higher levels of education, industry exposure, and managerial experience are better equipped to enhance organizational performance. In Indian start-ups, founders often possess strong technical or domain-specific knowledge; however, gaps in managerial, financial, and marketing skills can hinder growth and long-term sustainability. The quality of human capital directly influences innovation capacity, operational efficiency, and the ability to scale the business.

The development and effective utilization of entrepreneurial skills and human capital also play a crucial role in fostering innovation and competitive advantage. Skilled entrepreneurs are more likely to build competent teams, encourage creativity, and implement efficient systems and processes. Continuous learning, training, and skill upgradation help start-ups adapt to changing

market conditions and technological advancements. Moreover, leadership that values human capital investment promotes employee motivation, retention, and productivity, which are essential for sustained performance.

In the Indian start-up ecosystem, strengthening entrepreneurial skills and human capital requires support from educational institutions, incubators, mentors, and policy initiatives. Entrepreneurship education, skill development programs, and industry–academia collaboration can bridge existing skill gaps. By enhancing entrepreneurial competencies and nurturing human capital, start-ups can improve their resilience, achieve sustainable growth, and contribute more effectively to economic development.

#### **IV. ACCESS TO FINANCE AND FINANCIAL MANAGEMENT**

Access to finance is one of the most critical factors influencing the performance and sustainability of start-ups, particularly in their early stages of development. Adequate and timely financial resources enable start-ups to invest in product development, technology, infrastructure, marketing, and human capital. In India, start-ups typically rely on multiple sources of finance, including personal savings (bootstrapping), angel investors, venture capital firms, bank loans, crowdfunding, and government-supported funding schemes. While the Indian start-up ecosystem has expanded significantly, access to finance remains uneven, with early-stage, small-scale, and non-technology start-ups often facing greater difficulty in securing funds.

The availability of finance not only affects the survival of start-ups but also determines their growth potential and competitive positioning. Limited funding can restrict innovation, delay market entry, and reduce a start-up's ability to scale operations. Conversely, excessive dependence on external funding without a clear revenue model may increase financial risk and threaten long-term sustainability. Theoretical perspectives suggest that start-ups must strike a balance between funding acquisition and financial independence to maintain operational stability and strategic control.

Financial management is equally important as access to finance in ensuring start-up sustainability. Effective financial management involves budgeting, cash flow management, cost control, financial forecasting, and investment decision-making. Many Indian start-ups fail not due to lack of funding

alone, but because of poor financial planning and inefficient utilization of available resources. High burn rates, uncontrolled expenditures, and inadequate monitoring of financial performance often lead to liquidity crises, even in well-funded start-ups.

Sound financial management practices contribute to transparency, accountability, and investor confidence. Start-ups with robust financial systems are better equipped to evaluate financial risks, optimize resource allocation, and adapt to changing market conditions. Financial discipline also supports long-term planning and sustainable business models, reducing dependence on continuous external funding. In this context, financial literacy and managerial competence among entrepreneurs play a crucial role in improving financial outcomes.

In the Indian context, improving access to finance and strengthening financial management capabilities requires coordinated efforts from policymakers, financial institutions, and entrepreneurial support organizations. Simplifying loan procedures, expanding credit access, promoting financial inclusion, and enhancing financial education for entrepreneurs can significantly improve start-up sustainability. By combining adequate funding with effective financial management, Indian start-ups can enhance their performance, resilience, and long-term growth prospects.

## **V. MARKET DYNAMICS AND COMPETITION**

Market dynamics and competition play a crucial role in shaping the performance and sustainability of start-ups. Market dynamics refer to the constantly changing conditions within which start-ups operate, including customer preferences, demand fluctuations, pricing trends, technological changes, and economic conditions. In India, markets are highly diverse and rapidly evolving due to factors such as population heterogeneity, regional variations, digital transformation, and increasing consumer awareness. Start-ups must continuously analyze these dynamics to align their products and services with market needs and expectations.

Competition is another significant factor affecting start-up performance. Indian markets are characterized by intense competition from established firms, multinational corporations, and other emerging start-ups. New entrants often face challenges such as limited brand recognition, price sensitivity among consumers, and aggressive competitive strategies from larger players. Start-ups

that fail to differentiate their offerings or achieve a strong value proposition struggle to gain market share and sustain operations. Effective competitive strategies, such as innovation, niche targeting, and customer-centric approaches, are essential for survival in such environments.

Achieving product–market fit is a critical outcome of successfully navigating market dynamics and competition. Start-ups need to conduct thorough market research to understand customer behavior, unmet needs, and competitive gaps. A lack of market understanding often leads to poor adoption of products or services, resulting in weak performance. Additionally, changing consumer preferences and rapid technological advancements require start-ups to remain flexible and responsive to market signals.

Market complexity in India also arises from regulatory changes, globalization, and digital disruption. Start-ups operating in sectors such as e-commerce, fintech, and healthtech must adapt to evolving regulations and technological standards while competing in both domestic and global markets. Those that effectively monitor market trends, anticipate competitive moves, and adjust their business models accordingly are more likely to achieve sustainable growth. Thus, a deep understanding of market dynamics and strategic positioning within a competitive landscape is essential for enhancing the long-term performance and sustainability of start-ups.

## **VI. CONCLUSION**

The performance and sustainability of start-ups in India are influenced by a complex interaction of entrepreneurial skills, financial resources, market dynamics, innovation capacity, regulatory support, and organizational culture. This theoretical study emphasizes that sustainable success requires not only innovative ideas but also strong managerial capabilities, financial discipline, and adaptive strategies. For Indian start-ups to thrive in the long term, there is a need for continuous skill development, supportive policy frameworks, efficient funding mechanisms, and a focus on sustainable business models. Future research may extend this theoretical analysis through empirical studies to validate and quantify the impact of these factors.

## **REFERENCES**

1. Awonuga, Kehinde & Mhlongo, Noluthando & Olatoye, Funmilola & Ibeh, Chidera & Elufioye, Oluwafunmi & Asuzu, Onyeka Franca. (2024). Business incubators and their impact

on startup success: A review in the USA. *International Journal of Science and Research Archive*. 11. 1418-1432. 10.30574/ijrsra.2024.11.1.0234

2. Azoulay, P., Jones, B. F., Kim, J. D., & Miranda, J. (2020). Age and High-Growth Entrepreneurship. *American Economic Review: Insights*, 2(1), 65–82. <https://doi.org/10.1257/aeri.20180582>
3. Babu, D. G. S., & Sridevi, D. K. (2019). A study on issues and challenges of startups in India. *International Journal of Financial Management and Economics*, 2(1), 44–48. <https://www.theeconomicsjournal.com/archives/2019.v2.i1.16>
4. Baldwin, E. (2001). *An Analytic Commentary on the Greek Immigration Bill, 2000*, Athens.
5. Baporikar, Neeta. (2015). Framework for Social Change through Startups in India. *International Journal of Civic Engagement and Social Change*. 2. 30-42. 10.4018/IJCESC.2015010103.
6. Bărbulescu, O., Tecău, A. S., Munteanu, D., & Constantin, C. P. (2021). Innovation of Startups, the Key to Unlocking Post-Crisis Sustainable Growth in Romanian Entrepreneurial Ecosystem. *Sustainability*, 13(2), 671.
7. Baron, R. M., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, 51(6), 1173–1182.
8. Bartik, A. W., Bertrand, M., Cullen, Z., Glaeser, E. L., Luca, M., & Stanton, C. (2020). The Impact of COVID-19 on Small Business Outcomes and Expectations. *Proceedings of the National Academy of Sciences*, 117(30).
9. Bednár, R., & Tarišková, N. (2017). Indicators of startup failure. *Industry 4.0*, 2(5), 238-240.
10. Bentler, P. M. (1990). Comparative fit indexes in structural models. *Psychological Bulletin*, 107(2), 238–246.

11. Bentler, P. M., & Bonett, D. G. (1980). Significance tests and goodness of fit in the analysis of covariance structures. *Psychological Bulletin*, 88(3), 588–606.
12. Berger, A. N., & Udell, G. F. (2006). A more complete conceptual framework for SME finance. *Journal of Banking & Finance*, 30(11), 2945-2966.
13. Bergmann, Thorsten & Utikal, Hannes. (2021). How to Support Start-Ups in Developing a Sustainable Business Model: The Case of an European Social Impact Accelerator. *Sustainability*. 13. 3337. 10.3390/su13063337.
14. Berríos Lugo, J. E., & Espina, M. I. (2014). Determinant Factors for the Development of Entrepreneurial Activity: A Correlational Study. *ESIC Market*, 45(1), 147–160. <https://doi.org/10.7200/esicm.147.0451.4>
15. Beugelsdijk, S., & Noorderhaven, N. (2004). Entrepreneurial attitude and economic growth: A cross-section of 54 regions. *The Annals of Regional Science*, 38(2), 199–218. <https://doi.org/10.1007/s00168-004-0192-y>
16. Bhatt, N., Saurabh, P., & Verma, R. K. (2022). Technology startup ecosystem in India. *International Journal of Business Innovation and Research*, 27(4), 413.
17. Birley, S., & Westhead, P. (1990). Growth and performance contrasts between “types” of small firms. *Strategic Management Journal*, 11(7), 535–557. <https://doi.org/10.1002/smj.4250110705>
18. Bjornali, E. S., & Ellingsen, A. (2014). Factors Affecting the Development of Cleantech Start-ups: A Literature Review. *Energy Procedia*, 58, 43–50. <https://doi.org/10.1016/j.egypro.2014.10.407>