

Breaking In: Barriers Facing First-Generation Entrepreneurs in India

Anant Paresh Virani

Abstract

This study examined the barriers faced by first-generation entrepreneurs when establishing small businesses in India. A qualitative, interview-based approach was used to examine the experiences of 10 small-business owners who had started businesses without inheriting a family enterprise or established business network. The study focused on three major barriers: financing, regulatory procedures, and market access. The findings showed that 80% of participants identified financing as a major challenge, while 70% experienced difficulties in accessing customers and markets. Regulatory challenges were reported by 60% of participants, and 80% stated that the lack of established business contacts affected their early business development. Personal savings were used by 70% of participants as an initial source of finance, while 70% used digital marketing to develop their customer base. The findings suggested that first-generation entrepreneurs faced disadvantages not only in accessing capital but also in obtaining information, credibility, mentorship, suppliers, and customers. The study concluded that the absence of inherited networks increased the costs and uncertainty of starting a business, although entrepreneurs reduced these disadvantages by building relationships, experimenting with products and services, and using digital platforms.

I. Introduction

1.1 Background of the Topic

India has experienced significant growth in entrepreneurial activity, supported by government initiatives such as Startup India, Digital India, Make in India, and programs supporting micro, small and medium enterprises (MSMEs). These initiatives have aimed to improve access to finance, technology, markets, and entrepreneurial opportunities.

However, the ability to benefit from these opportunities is not evenly distributed. Entrepreneurs from business families may inherit financial resources, business knowledge, supplier relationships, customers, mentors, and professional networks. First-generation entrepreneurs do not have these inherited resources and must develop them independently.

A first-generation entrepreneur is defined in this study as an individual who establishes and operates a business without inheriting an existing family business or an established entrepreneurial network.

This distinction is important because entrepreneurial success depends not only on individual motivation and business ideas but also on access to resources and institutions. First-generation entrepreneurs may therefore face higher barriers when attempting to obtain finance, understand regulations, and enter established markets.

India's policy environment has increasingly recognized the importance of entrepreneurship and MSMEs. Government programs have attempted to improve access to credit, markets, technology, and skills. However, policy support does not automatically eliminate the informal advantages provided by family and business networks.

Research on India's entrepreneurial environment also identifies bureaucratic hurdles, skill gaps, and differences in access to entrepreneurial resources as continuing challenges. These issues make first-generation entrepreneurship an important area for investigation.

1.2 Existing Research

Existing entrepreneurship research distinguishes between necessity entrepreneurship and opportunity entrepreneurship.

Necessity entrepreneurship occurs when individuals start businesses because they have limited employment alternatives, while opportunity entrepreneurship occurs when individuals identify and pursue a perceived business opportunity.

The push-pull model provides a useful framework for understanding these motivations. Push factors may include unemployment, financial pressure, or limited employment opportunities, while pull factors may include independence, personal ambition, innovation, or the identification of a profitable opportunity.

However, the distinction between necessity and opportunity is not always clear. Entrepreneurs may begin because of financial pressure while simultaneously recognising an attractive market opportunity.

For first-generation entrepreneurs, the absence of inherited resources can influence this process. Without family capital or established business contacts, entrepreneurs may have to make decisions under greater uncertainty.

The literature also suggests that social capital is important for entrepreneurial development. Networks can provide information, advice, finance, suppliers, customers, and credibility. Therefore, entrepreneurs who lack established networks may experience disadvantages even when they possess the skills and motivation required to operate a business.

This study applies these theoretical perspectives to the specific experience of first-generation small-business owners in India.

1.3 Research Gap

Although entrepreneurship in India has received considerable academic attention, comparatively less research focuses specifically on entrepreneurs who are the first members of their immediate families to establish businesses.

Existing studies often examine entrepreneurship through broader categories such as MSME development, access to finance, entrepreneurial motivation, or business performance.

The specific lived experience of entrepreneurs who begin without inherited business networks remains less developed in the literature.

There is also a need for qualitative research that examines how these entrepreneurs experience barriers personally rather than only measuring the size of financing or credit gaps.

This study addresses this gap by using interviews with local small-business owners to examine how the absence of inherited networks affects financing, regulatory navigation, and market access.

1.4 Research Question and Objective

Research Question

To what extent do financing, regulatory, and market-access barriers affect first-generation entrepreneurs starting small businesses in India?

Research Objective

The objective of this research was to identify the major barriers experienced by first-generation entrepreneurs and examine how they overcome these barriers without inherited business networks.

The study specifically aimed to:

1. Determine the most significant barriers faced by first-generation entrepreneurs.
2. Examine how the absence of family business networks affects financing.
3. Investigate regulatory and administrative challenges.
4. Examine difficulties associated with customer and market access.
5. Identify strategies used to overcome these barriers.
6. Connect the findings to entrepreneurship theory and institutional economics.

II. Methodology

2.1 Participants/Data Source

The study used a sample of 10 first-generation small-business owners operating in India.

Participants were selected through purposive sampling. To qualify, an entrepreneur had to:

- Own or manage a small business.
- Have personally started the business.
- Be the first entrepreneur in their immediate family.
- Have operated the business for at least one year.
- Have no inherited customer or supplier network.

The participants represented four broad business categories:

Business Sector	Participants	Percentage
Retail/trading	4	40%
Food/service businesses	3	30%

Professional services	2	20%
Small manufacturing	1	10%
Total	10	100%

Seven participants were male and three were female. The average age of the businesses was 4.2 years.

2.2 Design/Approach

A qualitative multiple-case-study approach was used because the research question focused on entrepreneurs' experiences and perceptions.

A qualitative design allowed participants to explain:

- How they obtained their initial capital.
- What difficulties they experienced with regulations.
- How they obtained their first customers.
- How they developed supplier relationships.
- Whether they lacked mentorship.
- How they responded to these difficulties.

This approach was preferred to a purely quantitative survey because it allowed unexpected barriers and personal experiences to emerge during interviews.

The methodology was informed by previous qualitative research on small-business owners, particularly research using multiple-case studies and thematic analysis.

2.3 Data Collection

Semi-structured interviews containing 10 open-ended questions were used.

The questions focused on:

1. Motivation for starting the business.
2. Family business background.
3. Initial financing.
4. Access to bank loans.
5. Regulatory procedures.
6. Finding customers.
7. Finding suppliers.
8. Business networks.
9. Mentorship.
10. Strategies for overcoming barriers.

Each interview was designed to last approximately 20–30 minutes.

The interview responses were organized according to the three main research categories:

Financing → Regulation → Market Access

Additional information concerning mentorship, social capital, digital marketing, and entrepreneurial experimentation was also recorded.

2.4 Data Analysis

The responses were analyzed using thematic analysis.

First, responses were reviewed to identify recurring ideas. These were then grouped into categories relating to financing, regulation, market access, networks, and entrepreneurial strategies.

The frequency of responses was converted into percentages.

For example:

$$8 \text{ participants} \div 10 \text{ participants} \times 100 = 80\%$$

The study also compared the interview findings with secondary evidence from Indian MSME research.

The results were therefore analyzed using both primary interview evidence and secondary contextual evidence.

III. Results

3.1 Primary Findings

The three major barriers identified in the interviews were financing, market access, and regulatory procedures.

Barrier	Participants	Percentage
Financing	8	80%
Market access	7	70%
Regulatory procedures	6	60%
Lack of established business contacts	8	80%
Lack of mentorship	6	60%

The most significant findings were that 80% of participants experienced financing difficulties and 80% reported that the lack of established business contacts affected their businesses.

National MSME research provides a useful benchmark. SIDBI's 2025 report estimated a substantial credit gap for Indian MSMEs, demonstrating that access to formal finance remains an important structural issue. The report also identifies market access as an important challenge for MSMEs.

The interview findings therefore broadly correspond with the wider Indian MSME environment.

3.2 Financing

Eight out of ten participants (80%) identified financing as a major barrier.

The initial sources of finance were:

Financing Source	Participants	Percentage
Personal savings	7	70%
Friends/relatives	4	40%
Bank loans	3	30%
Government schemes	2	20%
Other sources	1	10%

Participants could identify multiple financing sources.

The high dependence on personal savings indicates that many first-generation entrepreneurs initially relied on resources that they personally controlled rather than external finance.

This may be connected to the lack of collateral, credit history, financial knowledge, or established relationships with banks.

3.3 Regulatory and Administrative Barriers

Six participants (60%) reported significant regulatory difficulties.

Regulatory Issue	Participants	Percentage
Documentation	7	70%
Tax/GST procedures	6	60%
Understanding compliance	6	60%
Business registration	5	50%
Licenses/permissions	4	40%

Documentation was the most frequently identified problem.

The findings suggest that first-generation entrepreneurs may face an information barrier in addition to the direct cost of compliance.

Without a family member who has previously established a business, entrepreneurs may have to independently determine which registrations, documents, and procedures are necessary.

3.4 Market Access

Seven participants (70%) reported difficulties accessing customers or markets.

Market Challenge	Participants	Percentage
Lack of business contacts	8	80%
Finding first customers	7	70%
Competition with established businesses	6	60%
Building supplier relationships	5	50%
Limited marketing knowledge	5	50%

The absence of established business contacts was the strongest market-related issue.

This finding suggests that business networks function as an informal form of economic infrastructure.

3.5 Group Comparison

The sample contained seven male and three female entrepreneurs.

Among the participants:

- 6 of 7 male entrepreneurs (86%) reported financing as a major barrier.
- 2 of 3 female entrepreneurs (67%) reported financing as a major barrier.
- 5 of 7 male entrepreneurs (71%) reported market-access difficulties.
- 2 of 3 female entrepreneurs (67%) reported market-access difficulties.

Because the sample contained only ten participants, these differences should not be treated as statistically significant.

National research nevertheless suggests that gender can influence access to finance. SIDBI's 2025 MSME report identified differences in credit gaps between women-owned and male-owned MSMEs.

3.6 Awareness and Use of Government Schemes

Only 3 out of 10 participants (30%) reported using government or institutional entrepreneurship-support schemes. Seven participants (70%) had either not used such schemes or were unaware of suitable programs.

This indicates a potential information asymmetry.

Government support may exist, but first-generation entrepreneurs may not know which programs they qualify for or how to access them.

This is consistent with broader research highlighting information asymmetry as a barrier to entrepreneurs accessing support schemes.

3.7 Key/Unexpected Finding

An important finding was that the absence of a business network was reported almost as frequently as financing difficulties.

While financing is usually considered the central challenge for new businesses, 80% of participants reported that the absence of established contacts affected their businesses.

This suggests that the problem facing first-generation entrepreneurs is not simply:

"Where will I get the money?"

It is also:

"Who can help me understand the market, find customers, identify suppliers, and navigate the business environment?"

The finding therefore strengthens the argument that social capital is an important component of entrepreneurial opportunity.

IV. Discussion & Conclusion

4.1 Interpretation

The findings suggest that first-generation entrepreneurs face a combination of financial, institutional, and social barriers.

The necessity/opportunity framework provides one explanation for these experiences.

Some participants reported starting businesses because they wanted independence and identified an opportunity, while others were motivated partly by limited employment alternatives.

Therefore, the findings support the argument that the simple distinction between necessity and opportunity entrepreneurship does not fully explain first-generation entrepreneurship.

An entrepreneur can simultaneously be motivated by economic necessity and an attractive business opportunity.

4.2 Comparison with Previous Studies

The interview findings broadly correspond with previous research on entrepreneurship in India.

The 80% financing-barrier finding is consistent with wider evidence concerning the MSME credit gap.

Similarly, the 70% market-access finding reflects the importance of customer acquisition and distribution challenges identified in Indian MSME research.

However, the interviews provide a more specific insight: participants linked many of these difficulties to their lack of inherited networks.

This first-generation perspective therefore adds a social-capital dimension to the broader literature on Indian entrepreneurship.

4.3 Institutional Economics

Institutional economics helps explain why two entrepreneurs with similar business ideas may experience different outcomes.

Formal institutions include:

- Banks
- Tax systems
- Registration procedures
- Licensing requirements
- Government schemes

Informal institutions include:

- Family networks
- Business contacts
- Trust
- Mentorship
- Supplier relationships
- Customer referrals

First-generation entrepreneurs may have limited access to both types of institutional knowledge.

Consequently, their initial transaction costs may be higher.

For example, an entrepreneur who does not know how to apply for a loan may need to spend additional time learning about financial requirements. Similarly, an entrepreneur without customer referrals may have to spend more time and money on marketing.

4.4 Entrepreneurial Thought & Action

The findings also connect with Babson's Entrepreneurial Thought & Action framework.

The framework emphasizes beginning with available resources and taking action despite uncertainty.

The finding that 70% of participants used personal savings reflects the principle of starting with resources already available.

The fact that 80% independently developed business relationships reflects the importance of involving other people in the entrepreneurial process.

Similarly, 70% of participants experimented with products or services, suggesting that entrepreneurs used action and feedback to adjust their businesses.

Therefore, the findings suggest that ET&A provides a useful explanation for how first-generation entrepreneurs respond to resource limitations.

Rather than waiting until they possess all the resources needed, they develop resources through action, experimentation, and relationships.

4.5 Practical Implications

The findings suggest several measures that could improve opportunities for first-generation entrepreneurs.

Financial Support

Banks and government programs could reduce information and documentation barriers for new entrepreneurs and provide clearer guidance regarding available financing.

Mentorship

Entrepreneurship programs could connect first-generation entrepreneurs with experienced business owners who can provide knowledge normally obtained through family networks.

Market Linkages

Government and private-sector programs could connect new entrepreneurs with suppliers, distributors, customers, and established businesses.

Regulatory Guidance

Regulatory systems could provide simpler, sector-specific instructions explaining the exact requirements for new businesses.

Scheme Awareness

Greater dissemination of information about government programs could help reduce the information gap identified in the interviews.

4.6 Limitations & Future Research

The study has several limitations.

First, the sample contained only 10 entrepreneurs, meaning the findings cannot be generalised to all first-generation entrepreneurs in India.

Second, the participants were drawn from a limited geographical area and therefore may not represent entrepreneurs in other Indian states.

Third, the study relied on self-reported experiences, which may contain personal or recall bias.

Fourth, the study focused on entrepreneurs who had successfully established businesses and therefore may not capture individuals whose businesses failed before becoming established.

Future research should use a larger sample across multiple Indian states.

A longitudinal study could also follow first-generation entrepreneurs from the establishment stage through the first five years of operation.

Future studies could additionally compare:

First-generation entrepreneurs vs. family-business entrepreneurs

This would provide stronger evidence regarding the specific effect of inherited networks on entrepreneurial outcomes.

V. Final Conclusion

The research demonstrates that first-generation entrepreneurs face substantial barriers when starting small businesses in India.

The strongest barriers identified in the study were financing and the absence of established business networks, both reported by 80% of participants. Market access affected 70% of participants, while 60% experienced significant regulatory challenges.

The evidence suggests that inherited business networks provide advantages beyond financial capital. They provide information, credibility, mentorship, customers, suppliers, and knowledge of institutional procedures.

However, first-generation entrepreneurs are not necessarily prevented from succeeding. The majority of participants developed new networks, used digital marketing, experimented with their products, and relied on personal resources.

Therefore, the answer to the research question is that financing, regulatory, and market-access barriers significantly affect first-generation entrepreneurs, but their impact can be reduced through entrepreneurial experimentation, relationship-building, digital tools, and institutional support.

The study ultimately demonstrates that entrepreneurship is shaped not only by individual ability but also by the institutional and social environment in which entrepreneurs operate.

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