

CHALLENGES IN PROCUREMENT AND UTILISATION OF LONG TERM FUNDS OF START-UPS IN KERALA

Jefin Antony,
Guest Lecturer,
Department of Commerce,
St. Paul's College, Kalamassery, Kerala, India.

Abstract: The study has been undertaken to assess the nature and pattern of sources of long term finance for the start-ups and also to analyse the difficulties in the procurement and utilization of funds by the start-ups. Start-up implies an organization, registered or incorporated in India that isn't before 10 years, with annual turnover not surpassing Rs.100 crores in any preceding financial year, and dealing towards innovation, deployment, development, or commercialization of new products, services or processes or driven by technology or intellectual property as long as such entity isn't shaped by splitting up, or reconstruction, of a business already in existence. Majority of the start-ups with mind-blowing solutions to the current and prominent social issues couldn't survive in this big market due to non-availability of funds to finance their project or due to inefficient utilization of funds by them. The study analysed that the start-ups have raised finance for their current project mainly through Private finance and Bank loan and the most preferred sources of funds for the expansion of their project were Angel funds and Venture capital. The study revealed that there was delay in processing and sanctioning the loan or financial assistance by the Bank, Government Agency or others and also the cost of funds was relatively higher. Lack of proper mentoring in utilization of funds, failure in conducting regular follow-up of funds invested and lack of proper financial planning leads to ineffective utilization of funds for the start-ups.

1.1. INTRODUCTION

Finance is the life blood of every business organisation. Effective and efficient management of finance is necessary for every firm. This implies that the firm should be able to achieve its objectives by minimising the use of resources through effective procurement and utilization of funds. It is necessary for the smooth and successful conduct of every business organisations including start-ups. Start-up firms are available in various structures and sizes. Typically, a start-up can begin by building a primary Minimum Viable Product (MVP), a model, to validate, assess and build up the new concepts or business ideas. Additionally, start-ups founders do research to extend their comprehension of the concepts, technologies and their business potential. Start-ups have many choices for funding. Venture Capital firms and Angel Investors might facilitate start-up corporations begin operations, exchanging seed money for an equity stake in the firm. Venture Capitalists and Angel Investors give financing to a spread of start-ups (a portfolio), with the expectation that a really tiny range of the start-ups can become feasible and create money. Although, several start-ups are at the start funded by the founders themselves utilizing "bootstrapping", within which advances or fiscal endowments (monetary gifts) from friends and family are joined with savings and credit card debt to finance the start-up. Factoring is another alternative, though it is distinctive to start-ups.

1.2 STATEMENT OF THE PROBLEM

The young generation is very eager to become entrepreneurs by putting their own ideas into practice. The joy of innovation and creation, an urge to do something for the society etc. adds to their entrepreneurship. Start-up is the best and prominent way to satisfy all these needs. An effective and efficient management of funds is necessary for every start-up as majority of the start-ups with mind-blowing solutions to the current and prominent social issues couldn't survive in this big market due to non-availability of funds to finance their project or due to lack of adequate support from Government and authorities during the incorporation and promotion stage of their start-up, lack of effective utilization of funds etc. Apart from these major issues, there were many other challenges being faced by the upcoming start-ups, especially start-ups in Kerala, like unhealthy competition from the giant companies, serving the political interest of some parties which may affect the performance of the company, lack of adequate infrastructure etc. The study mainly focused on the challenges being faced by the start-ups in procurement and utilization of long term funds.

1.2 SIGNIFICANCE OF THE STUDY

Finance is the backbone of all the start-ups irrespective of the product or service rendered by the start-up. To survive in this competitive world and to be successful, an effective and efficient strategic financial planning is required for every business organisation with respect to long term procurement and utilisation of funds. Start-ups are beneficial to the Government in the form of tax revenue, infrastructural developmental activities like building of schools, hospitals etc. for poor people with the help of Government, installing street lights, bus shelters etc., participating in the developmental activities promoted by the Government like 'Make in India', going hand in hand with the government and other agencies in protection of the environment by minimising the air, water and soil pollution created by the industries etc. Society is also benefitted through start-ups by creation of employment opportunities, improved standard of living, access to international quality goods or services at affordable prices etc. It is necessary to protect the interest and needs of the start-ups for the smooth and successful conduct of the start-up business as well as for the development of our economy. For a start-up business, which is new to the market and facing severe competition requires more effort in the area of long term procurement and utilisation of funds. Proper research should be conducted with regards to the feasibility and

profitability of the project, sources from where the fund should be raised etc. in order to survive in this competitive world. Hence it is significant to identify and tackle the challenges faced by the start-ups for effective procurement and profitable utilization of the funds.

1.3 OBJECTIVES OF THE STUDY

- To analyse the present and future long-term or fixed capital requirements of the start-ups.
- To study the difficulties in the procurement and utilization of funds by the start-ups.

1.4 HYPOTHESIS OF THE STUDY

H₀₁: There is significant impact for the attributes identified on the Fixed Capital or Long-term Capital requirements of the start-up.

H₀₂: There is significant impact for the attributes identified on the Difficulties in the procurement and utilisation of funds for the start-up.

1.5 RESEARCH METHODOLOGY OF THE STUDY

Nature of the study

The study was both descriptive as well as analytical in nature.

Nature of data

Primary data and secondary data were collected for the purpose of the study. Primary data was collected with the help of questionnaires through Google forms from 100 Start-up units across Kerala. Secondary data was collected from published sources such as Books, Newspapers, Journals etc. Internet facility was also used for collecting the necessary information.

Population of the study

The population of the study was 358 start-up units across Kerala. (as per the official website of Kerala Start-up Mission, <https://startupmission.kerala.gov.in/ecosystem>)

Scope of the study

The study on the 'Strategic Financial Planning of Start-ups in Kerala' was limited to Kochi, Trivandrum and Kozhikode and the period of the study was 5 years.

Sampling

For the purpose of the study, the population was divided into 100 samples. The respondents were selected mainly from Kochi, Trivandrum and Kozhikode on a random basis.

Data Editing

The collected questionnaires were checked for its completeness and edited as required. Since most of the questionnaire were collected personally by the researcher, it is possible to check and edit the questionnaire in front of the respondent, if required. But in the case of indirect questionnaire collection approach, the editing of data was able to do in a limited way, because all the respondents were not able to contact directly again.

Coding

Once the editing of data has been completed, next stage was coding of the responses. Each item in the questionnaire was given unique code using the number. For example, items in the questionnaire were coded as 1 for 'Strongly Disagree', 2 for 'Disagree', 3 for 'Neutral', 4 for 'Agree' and 5 for 'Strongly Agree'. The demographic responses were also coded with numbers. For example, the variable, male is coded with 01 and 02 indicates a female respondent. In the same manner, the variables like the product or service rendered by the company, age, qualification, number of persons employed by the start-up etc. were coded using numbers. The responses were then keyed to an SPSS program.

Tools of Analysis

Following statistical tools and techniques were used for analysis of the data:-

A. Absolute Fit – indices that evaluate how close the observed variance-covariance matrix is to the estimated matrix

1. Chi-Square (χ^2)

- Desire a result that is *not* statistically significant (i.e., observed covariance matrix equal to estimated matrix)
- Sensitive to sample size (large samples may result in significant χ^2)
- Sensitive to multivariate non-normality of the data

2. Standardized root mean square residual (RMR)

- Recommend $RMR \leq 1$ (Hu & Bentler, 1999)

3. Standardized Residuals

- Not technically a fit index, but can provide information about closely the estimated matrix corresponds to the observed matrix (i.e., how well the data fits the model)
- Desire standardized residuals closer to 0 (i.e., little or no difference between observed covariance matrix and estimated matrix)

B. Parsimony Correction – “similar to absolute fit indices, but incorporate a penalty function for poor model parsimony” (Kalinowski, 2006, p. 13)

1. Root Mean Square Error of Approximation (RMSEA)

- Ranges from 0 - $+\infty$
- Recommend $RMSEA \leq 6$ (Hu & Bentler, 1999; Thompson, 2004)

C. Comparative Fit – evaluate the fit of the hypothesized model to null model (i.e., covariances = 0)

1. Comparative Fit Index (CFI)

- Recommend $CFI \geq 0.9$ (Hu & Bentler, 1999; Thompson, 2004)

2. Tucker-Lewis Index (TLI)

- Recommend $TLI \geq 0.9$ (Hu & Bentler, 1999)

3. Normed Fit Index (NFI)

- Recommend $NFI \geq 0.9$ (Thompson, 2004)

1.6 LIMITATIONS OF THE STUDY

- Lack of enough time for the respondents to respond since they were busy in the promotion and development of their start-up.
- Lack of adequate knowledge about the start-up for some of the respondents since they were new to this field. Some of them initiated their start-up soon after their education. Hence the researcher could not able to gather more information about the start-up from them.

2.1 REVIEW OF LITERATURE

- **Omid Sharifi and Bentolhoda Karbalaee Hossein (2015)** in their article titled ‘Understanding the Financing Challenges faced by Start-ups in India’ made an evaluation of the difficulties of financing start-ups in India. They intend to investigate the main difficulties faced by start-ups in India and examined the financing resources of start-ups in India by utilizing a literature-based analysis. By conducting this study, they came to realize that Credit today is tight, in fact very tight in the light of demonetisation and it’s not clear precisely when it will turn out to be more readily available yet at the same time there’s a growing trend of smaller initial investments in early-stage start-ups. They also analyzed that intensifying the challenge of raising funds, major leaps in technology have driven investors to increase current standards as far as how much legwork entrepreneurs are expected to do before even pitching their companies.
- **M.H. Bala Subrahmanya (2015)** in his study titled ‘New Generation Start-ups in India What Lessons Can We Learn from the Past?’ pinpoints that an increasing number of new generation start-ups in the technology/knowledge-concentrated industries have created something of a “euphoria” in major cities of India. The paper discussed the salient features of the start-up ecosystem that has risen in our nation, its amplexness for start-up promotion, and the measures needed to fortify this. As a prelude, the researcher traced the origin and phases of start-up growth in India, and its employment contribution, with respect to the organised sector. He concluded the study with an emphasis on the requirement for a steady increase in new generation start-ups as a means of productive employment generation, economic transformation and development.

3.1 DATA ANALYSIS AND INTERPRETATION

To study on the ‘Strategic Financial Planning of Start-ups in Kerala’ data were collected by the researcher through questionnaires from 100 start-up units across Kerala and were analysed and tested using various statistical techniques and tools and were presented in appropriate manner.

Analysis of the objective fixed capital or long term capital requirements of the start-up

H₀: There is significant impact for the attributes identified on the Fixed Capital or Long term Capital requirements of the start-up.

7 statements on five-point scale listed in Table 3.1.1 were given to the respondents regarding the Fixed Capital or Long term capital requirements for the smooth and successful conduct of a start-up. For this the researcher uses full Structural Equation Model.

Table 3.1.1 Attributes identified in connection with Fixed Capital or Long term capital requirements of the start-up

Code	Fixed Capital or Long term capital requirements
FC1	My start-up needs fixed capital for product development/setting up service or product delivery centres/infrastructural facilities/setting up training centres for employees etc.
FC2	My start-up could not able to raise fixed capital from cheaper sources of funds.
FC3	Fixed capital is required for the future growth, diversification, expansion etc. of my start-up.
FC4	A sound and flexible financial plan should always be prepared by a start-up
FC5	Globalisation of the present project by setting up a business unit overseas so that my product/service get access to international customers and technology.
FC6	My project can earn foreign exchange so that I may receive financial as well as technical support from the Government in future as Government supports such kind of projects which can earn foreign exchange for the country.
FC7	Fixed capital is required for obtaining patents, trademark etc. for my start-up.

Source: Primary Data

The hypothesis set by the researcher for the attributes identified in connection with the Fixed Capital or Long term capital requirements of the start-up are:-

H₁: FC1 has a positive impact on Fixed Capital or Long term capital requirements.

H₂: FC2 has a positive impact on Fixed Capital or Long term capital requirements.

H₃: FC3 has a positive impact on Fixed Capital or Long term capital requirements

H₄: FC4 has a positive impact on Fixed Capital or Long term capital requirements.

H₅: FC5 has a positive impact on Fixed Capital or Long term capital requirements

H₆: FC6 has a positive impact on Fixed Capital or Long term capital requirements

H₇: FC7 has a positive impact on Fixed Capital or Long term capital requirements

Table 3.1.2 Model fit Indices for CFA –Fixed Capital or Long term capital requirements of the start-up

	χ^2	DF	P	Normed χ^2	GFI	AGFI	NFI	TLI	CFI	RMR	RMSEA
Fixed Capital or Long term capital requirements	51.131	17	.000	3.008	.937	.838	.916	.910	.967	.133	.142

All the attributes loaded significantly on the latent constructs. The value of the fit indices indicates a reasonable fit of the measurement model with data. In table 3.1.2 the researcher presents the regression coefficients.

Table 3.1.3 The regression coefficients–Fixed Capital or Long term capital requirements of the start-up

<i>Path</i>	<i>Regression coefficient</i>	<i>Critical Ratio (CR)</i>	<i>P</i>	<i>Variance explained</i>
FC1→Fixed Capital or Long term capital requirements	0.508	5.516	<0.001	25.8
FC2→Fixed Capital or Long term capital requirements	0.788	13.982	<0.001	62.1
FC3→Fixed Capital or Long term capital requirements	0.522	5.703	<0.001	27.2
FC4→Fixed Capital or Long term capital requirements	0.433	4.566	<0.001	18.8
FC5→Fixed Capital or Long term capital requirements	0.691	11.146	<0.001	47.7
FC6→Fixed Capital or Long term capital requirements	0.685	8.258	<0.001	47.0
FC7→Fixed Capital or Long term capital requirements	0.456	4.976	<0.001	12.6

H₁: FC1 has a positive impact on Fixed Capital or Long term capital requirements.

The results exhibited in Table 3.1.3 revealed that the regulatory construct FC1 has significant impact on Fixed Capital or Long term capital requirements as the standardised direct effect of this construct on Fixed Capital or Long term capital requirements is 0.508, which is more than the recommended value of 0.4 (p value significant). So the hypothesis H₁ is accepted and concludes that ‘My start-up needs fixed capital for product development/setting up service or product delivery centres/infrastructural facilities/setting up training centres for employees etc.’ is a factor that has significant impact on Fixed Capital or Long term capital requirements.

H₂: FC2 has a positive impact on Fixed Capital or Long term capital requirements.

The results exhibited in Table 3.1.3 revealed that the regulatory construct FC2 has significant impact on Fixed Capital or Long term capital requirements as the standardised direct effect of this construct on Fixed Capital or Long term capital requirements is 0.788, which is more than the recommended value of 0.4 (p value significant). So the hypothesis H₂ is accepted and concludes that ‘My start-up could not able to raise fixed capital from cheaper sources of funds’ is a factor that has significant impact on Fixed Capital or Long term capital requirements.

H₃: FC3 has a positive impact on Fixed Capital or Long term capital requirements.

The results exhibited in Table 3.1.3 revealed that the regulatory construct FC3 has significant impact on Fixed Capital or Long term capital requirements as the standardised direct effect of this construct on Fixed Capital or Long term capital requirements is 0.522, which is more than the recommended value of 0.4 (p value significant). So the hypothesis H₃ is accepted and concludes that ‘Fixed capital is required for the future growth, diversification, expansion etc. of my start-up’ is a factor that has significant impact on Fixed Capital or Long term capital requirements.

H₄: FC4 has a positive impact on Fixed Capital or Long term capital requirements.

The results exhibited in Table 3.1.3 revealed that the regulatory construct FC4 has significant impact on Fixed Capital or Long term capital requirements as the standardised direct effect of this construct on Fixed Capital or Long term capital requirements is 0.433, which is more than the recommended value of 0.4 (p value significant). So the hypothesis H₄ is accepted and concludes that ‘A sound and flexible financial plan should always be prepared by a start-up’ is a factor that has significant impact on Fixed Capital or Long term capital requirements.

H₅: FC5 has a positive impact on Fixed Capital or Long term capital requirements.

The results exhibited in Table 3.1.3 revealed that the regulatory construct FC5 has significant impact on Fixed Capital or Long term capital requirements as the standardised direct effect of this construct on Fixed Capital or Long term capital requirements is 0.691, which is more than the recommended value of 0.4. So the hypothesis H₅ is accepted and concludes that ‘Globalisation of the present project by setting up a business unit overseas so that my product/service get access to international customers and technology’ is a factor that has significant impact on Fixed Capital or Long term capital requirements.

H₆: FC6 has a positive impact on Fixed Capital or Long term capital requirements.

The results exhibited in Table 3.1.3 revealed that the regulatory construct FC6 has significant impact on Fixed Capital or Long term capital requirements as the standardised direct effect of this construct on Fixed Capital or Long term capital requirements is 0.685, which is more than the recommended value of 0.4. So the hypothesis H₆ is accepted and concludes that ‘My project can earn foreign exchange so that I may receive financial as well as technical support from the Government in future as Government supports such kind of projects which can earn foreign exchange for the country’ is a factor that has significant impact on Fixed Capital or Long term capital requirements.

H₇: FC7 has a positive impact on Fixed Capital or Long term capital requirements.

The results exhibited in Table 3.1.3 revealed that the regulatory construct FC7 has significant impact on Fixed Capital or Long term capital requirements as the standardised direct effect of this construct on Fixed Capital or Long term capital requirements is 0.456, which is more than the recommended value of 0.4. So the hypothesis H₇ is accepted and concludes that ‘Fixed capital is

required for obtaining patents, trademark etc. for my start-up' is a factor that has significant impact on Fixed Capital or Long term capital requirements.

Since all the hypothesis set by the researcher to analyse the impact of attributes/variables identified on Fixed Capital or Long term capital requirements of the start-up are accepted, the hypothesis H_{01} : *There is significant impact for the attributes identified on the Fixed Capital or Long term Capital requirements of the start-up* is accepted.

Analysis of the difficulties in procurement and utilisation of funds for the start-up

H_{02} : *There is significant impact for the attributes identified on the Difficulties in the procurement and utilisation of funds for the start-up.*

10 questions on five-point scale listed in Table 3.1.4 were asked to the respondents regarding the difficulties in procurement and utilisation of funds for the start-up. For this the researcher uses full Structural Equation Model.

Table 3.1.4 Attributes identified in connection with the difficulties in procurement and utilisation of funds for the start-up

Code	Difficulties in procurement and utilisation of funds for the start-up
D1	There was delay in processing and sanctioning the loan or financial assistance by the Bank or Government Agency or Others.
D2	My start-up faced difficulty in offering asset security for raising long term funds for the start-up.
D3	My start-up faced difficulty in availing the services of financial intermediaries like merchant bankers.
D4	Faced difficulties from the part of Credit rating agencies in order to get a good credit rating.
D5	Most of the banks do not favour emerging start-ups for raising bank loans in the initial stage.
D6	Majority of the funds are utilised for product development by the start-ups.
D7	I find it difficult to get a reasonable return on the funds invested in the initial stage.
D8	Cost of funds was relatively higher and hence I could not able to utilise the funds effectively.
D9	I face difficulty in repayment of debt funds due to irregularity in cash inflows.
D10	I conduct regular follow-up on the utilisation of funds of the start-up and make necessary corrections if required as it is an inevitable factor behind the successful conduct of my start-up

Source: Primary Data

The hypothesis set by the researcher for the attributes identified in connection with the Sources of Finance for the start-up are:-

- H_1 : DF1 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up
- H_2 : DF2 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up
- H_3 : DF3 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up
- H_4 : DF4 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up
- H_5 : DF5 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up
- H_6 : DF6 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up
- H_7 : DF7 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up
- H_8 : DF8 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up
- H_9 : DF9 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up
- H_{10} : DF10 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up

Table 3.1.5 Model fit Indices for CFA –Difficulties in procurement and utilization of funds for the start-up.

	χ^2	DF	P	Normed χ^2	GFI	AGFI	NFI	TLI	CFI	RMR	RMSEA
Difficulty in procurement and utilisation of funds	51.885	25	.001	2.075	.921	.826	.912	.911	.951	.042	.104

All the attributes loaded significantly on the latent constructs. The value of the fit indices indicates a reasonable fit of the measurement model with data. In table 3.1.5 the researcher presents the regression coefficients.

Table 3.1.6 The regression coefficients – Difficulties in procurement and utilization of funds

Path	Regression coefficient	Critical Ratio (CR)	P	Variance explained
DF1→Difficulties in procurement and utilization of funds	0.769	10.025	<0.001	59.2
DF2→Difficulties in procurement and utilization of funds	0.481	5.164	<0.001	23.1
DF3→Difficulties in procurement and utilization of funds	0.685	8.258	<0.001	47.0
DF4→Difficulties in procurement and utilization of funds	0.706	8.659	<0.001	49.8
DF5→Difficulties in procurement and utilization of funds	0.419	4.397	<0.001	17.5
DF6→Difficulties in procurement and utilization of funds	0.419	4.397	<0.001	17.5
DF7→Difficulties in procurement and utilization of funds	0.630	7.302	<0.001	39.7
DF8→Difficulties in procurement and utilization of funds	0.680	8.166	<0.001	46.2

DF9	Difficulties in procurement and utilization of funds	0.967	20.130	<0.001	93.6
DF10	Difficulties in procurement and utilization of funds	0.359	3.701	<0.001	12.9

H₁: DF1 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up.

The results exhibited in Table 3.1.6 revealed that the regulatory construct DF1 has significant impact on Difficulties in procurement and utilization of funds as the standardised direct effect of this construct on Difficulties in procurement and utilization of funds is 0.769, which is more than the recommended value of 0.4 (p value is significant). So the hypothesis H₁ is accepted and concludes that 'There was delay in processing and sanctioning the loan or financial assistance by the Bank or Government Agency or Others' is a factor that has significant impact on Difficulties in procurement and utilization of funds.

H₂: DF2 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up.

The results exhibited in Table 3.1.6 revealed that the regulatory construct DF2 has significant impact on Difficulties in procurement and utilization of funds as the standardised direct effect of this construct on Difficulties in procurement and utilization of funds is 0.481, which is more than the recommended value of 0.4 (p value is significant). So the hypothesis H₂ is accepted and concludes that 'My start-up faced difficulty in offering asset security for raising long term funds for the start-up' is a factor that has significant impact on Difficulties in procurement and utilization of funds.

H₃: DF3 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up.

The results exhibited in Table 3.1.6 revealed that the regulatory construct DF3 has significant impact on Difficulties in procurement and utilization of funds as the standardised direct effect of this construct on Difficulties in procurement and utilization of funds is 0.685, which is more than the recommended value of 0.4 (p value is significant). So the hypothesis H₃ is accepted and concludes that 'My start-up faced difficulty in availing the services of financial intermediaries like merchant bankers' is a factor that has significant impact on Difficulties in procurement and utilization of funds.

H₄: DF4 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up

The results exhibited in Table 3.1.6 revealed that the regulatory construct DF4 has significant impact on Difficulties in procurement and utilization of funds as the standardised direct effect of this construct on Difficulties in procurement and utilization of funds is 0.706, which is more than the recommended value of 0.4 (p value is significant). So the hypothesis H₄ is accepted and concludes that 'Faced difficulties from the part of Credit rating agencies in order to get a good credit rating' is a factor that has significant impact on Difficulties in procurement and utilization of funds.

H₅: DF 5 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up.

The results exhibited in Table 3.1.6 revealed that the regulatory construct DF5 has significant impact on Difficulties in procurement and utilization of funds as the standardised direct effect of this construct on Difficulties in procurement and utilization of funds is 0.419, which is more than the recommended value of 0.4 (p value is significant). So the hypothesis H₅ is accepted and concludes that 'Most of the banks do not favour emerging start-ups for raising bank loans in the initial stage' is a factor that has significant impact on Difficulties in procurement and utilization of funds.

H₆: DF 6 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up.

The results exhibited in Table 3.1.6 revealed that the regulatory construct DF6 has significant impact on Difficulties in procurement and utilization of funds as the standardised direct effect of this construct on Difficulties in procurement and utilization of funds is 0.419, which is more than the recommended value of 0.4 (p value is significant). So the hypothesis H₆ is accepted and concludes that 'Majority of the funds are utilised for product development by the start-ups' is a factor that has significant impact on Difficulties in procurement and utilization of funds.

H₇: DF 7 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up.

The results exhibited in Table 3.1.6 revealed that the regulatory construct DF7 has significant impact on Difficulties in procurement and utilization of funds as the standardised direct effect of this construct on Difficulties in procurement and utilization of funds is 0.630, which is more than the recommended value of 0.4 (p value is significant). So the hypothesis H₇ is accepted and concludes that 'I find it difficult to get a reasonable return on the funds invested in the initial stage' is a factor that has significant impact on Difficulties in procurement and utilization of funds.

H₈: DF 8 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up.

The results exhibited in Table 3.1.6 revealed that the regulatory construct DF8 has significant impact on Difficulties in procurement and utilization of funds as the standardised direct effect of this construct on Difficulties in procurement and utilization of funds is 0.680, which is more than the recommended value of 0.4 (p value is significant). So the hypothesis H₈ is accepted and concludes that 'Cost of funds was relatively higher and hence I could not able to utilise the funds effectively' is a factor that has significant impact on Difficulties in procurement and utilization of funds.

H₉: DF 9 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up.

The results exhibited in Table 3.1.6 revealed that the regulatory construct DF9 has significant impact on Difficulties in procurement and utilization of funds as the standardised direct effect of this construct on Difficulties in procurement and utilization of funds is 0.967, which is more than the recommended value of 0.4 (p value is significant). So the hypothesis H₉ is accepted and concludes that 'I face difficulty in repayment of debt funds due to irregularity in cash inflows' is a factor that has significant impact on Difficulties in procurement and utilization of funds.

H₁₀: DF 10 is an influencing factor in the difficulties in procurement and utilisation of funds for the start-up.

The results exhibited in Table 3.1.6 revealed that the regulatory construct DF10 has no significant impact on Difficulties in procurement and utilization of funds as the standardised direct effect of this construct on Difficulties in procurement and utilization of funds is 0.359, which is less than the recommended value of 0.4. So the hypothesis H₁₀ is rejected and concludes that 'I conduct regular follow-up on the utilisation of funds of the start-up and make necessary corrections if required as it is an inevitable factor behind the successful conduct of my start-up' is a factor that has no significant impact on Difficulties in procurement and utilization of funds.

Since 9 out of 10 hypothesis set by the researcher to analyse the impact of attributes/variables identified on Difficulties in procurement and utilization of funds are accepted, the hypothesis H_{02} : *There is significant impact for the attributes identified on the Difficulties in the procurement and utilisation of funds for the start-up* is accepted.

4.1 FINDINGS OF THE STUDY

- The study viewed that Start-up firms were in short of fixed capital and need it for future growth, development and diversification of their start-up firm. Since 40% of the start-up firms were engaged in the hardware products, lack of fixed capital shall adversely affect their performance and it was reflected in the financial results of the start-ups to a great extent as 80% of the start-ups suffer from losses. Most of the Start-up firms couldn't able to acquire fixed capital from cheaper sources of funds which again points out the significance of strategic financial planning for start-ups.
- The study also identified that majority of the start-ups are capable of earning foreign exchange for the country by setting up the business unit overseas and hence they require fixed capital at reasonable cost, otherwise these potential firms may be thrown out of the market due to non-availability of fixed capital timely and at lowest possible cost.

The study identified the following difficulties faced by the start-up in procurement and utilisation of the funds:-

- Delay in processing and sanctioning the loan or financial assistance by the Bank or Government Agency or Others.
- Faced difficulty in offering asset security for raising long term funds for the start-up.
- Faced difficulties in availing the services of financial intermediaries like merchant bankers.
- Faced difficulties from the part of Credit rating agencies in order to get a good credit rating.
- Most of the banks do not favour emerging start-ups for raising bank loans in the initial stage.
- Majority of the funds are utilised for product development by the start-ups and hence they suffer from having adequate funds for the smooth running of the business in future.
- Start-ups find it difficult to get a reasonable return on the funds invested in the initial stage.
- Cost of funds was relatively higher and hence I could not able to utilise the funds effectively.
- Faced difficulty in repayment of debt funds due to irregularity in cash inflows.
- Start-ups fail to conduct regular follow up on the utilisation of the funds which lead to ineffective management of funds.

5.1 CONCLUSION

"I could be able to eat Biryani everyday if I had been still working at Multinational I.T. Companies like Intel. But I am more interested in providing breakfast to others rather than that"

- P.C. Musthafa (CEO & Co- Founder I.D. Fresh foods)

This quotation is made by an entrepreneur from Wayanad district, Kerala - Mr. P.C. Musthafa, son of a daily wage employee. He is now CEO of a ready-to-cook-packaged food company in Bengaluru named I.D. Fresh foods which is having a turnover of Rs. 100 crores. If you have the passion to do something do it immediately, don't wait for tomorrow. That's what Mr. Musthafa wants to say to the younger generation who are eager to become entrepreneurs.

At present day, start-ups are growing like a grapevine. Start-up is an opportunity for an entrepreneur to educate and inspire others while some are thinking of how to do and what to do. Although, entrepreneurs are facing problems but still they are rising like a sun. They have the determination to setup and divert their energy to plan, support and execute their dreams and contributing to the growth of the economy.

The ecosystem available for the start-ups to initiate, develop and flourish is huge and hence the entrepreneurs must try to exploit the available opportunities to the maximum. They must identify their own drawbacks and should try to rectify them especially the lack of strategic financial planning in raising and utilizing long term funds for the start-ups, so that they would be able to recover the cost and reap huge profits for the growth and development of the start-ups as well as the nation. Hence the start-ups should rise and shine like a sun in this world. Also the government, higher authorities and financial institutions must back start-ups financially, technically and legally.

6.1 SUGGESTIONS

Following suggestions were made by the researcher to the Government, Financial institutions and other authorities concerned and to the Start-up firms in order to enhance the performance of the start-ups in future and to earn higher profit thereby contributing to the economic development of the nation.

To the Government, Financial institutions, Higher authorities concerned and Banks

- Government should financially support the start-ups as banks and financial institutions were reluctant to support emerging start-up firms.
- Government has put forwarded many plans and policies for start-ups but most of them remain in papers. So execution of those plans and policies as early as possible is must for the development of the start-ups.
- Government should try to provide the financial assistance and other subsidies to the start-ups without any delay.
- Government and other authorities concerned must take necessary steps in order to protect the start-ups from the competition of giant companies.
- Government should identify and support financially and technically those start-up firms which have the potential to earn foreign exchange for the country.
- Government should take adequate steps in order to have access to the international market and technology for the start-ups.
- Start-ups should be provided with adequate mentoring and technical guidance by the experts in this particular field.
- Most Start-ups have very low valuation at launch, and hence access to funding or even Loans is very challenging. Start-ups need some innovative mechanisms to support funding for early stage start-ups, without focusing on Valuation.

- Angel Investors are not trained or experienced to take a lead in Start-ups. Start-ups cannot be evaluated merely on the basis of revenue generated. Hence there is a large opportunity in training Angel Investors on "on the ground" assessment of start-up potential.
- Authorities concerned must take adequate steps to provide research and development centres for start-ups in order to conduct regular research on their product or service and to make modification for the same.
- Banks and other financial institutions should come forward to support efficient start-up firms financially.
- Technical and financial assistance from international agencies should be made available to the start-up firms.

To the Start-up firms

- Start-up firms should always shape and modify their product or service according to the customer needs and for that they should conduct a market survey of their product or service which they are going to produce.
- Start-up firms which are going to introduce their product or service in the market, should try to make a pilot launch of their product or service in the market in order to identify the needs of the customers and to make alterations if necessary. Otherwise the product or service introduced may not be successful as they wish.
- Start-ups should always try to raise working capital and fixed capital from cheaper sources of funds.
- Even if delay is occurred on the part of the Government in providing financial assistance and other subsidies to start-ups, the entrepreneurs should try to provide maximum own funds for the smooth functioning of the start-up so that unnecessary and inordinate delay can be avoided. Whenever, the financial assistance and other subsidies are sanctioned by the Government, the same can be taken by the entrepreneur for his own private use or use the same as additional capital for expansion purpose.
- Start-up firms must exploit the available opportunities to the maximum by presenting an innovative and mind blowing product or service which can solve a prominent social problem prevailing in the society to the authorities concerned in order to procure funds from angel investors, venture capital etc. as Government is now looking forward to make investment in Start-ups.
- Start-ups must make sure that they have prepared working capital and fixed capital budget in order to manage the funds effectively.
- Start-ups should not utilise majority of their funds for product development only as funds are required for other purposes also. For example:- infrastructural development, marketing of the product etc.
- Start-ups must conduct regular follow-up on the utilisation of funds of the start-up and make necessary corrections if required as it is an inevitable factor behind the successful conduct of any start-up or business.
- Share the concepts and ideas that an entrepreneur has in his mind to the team members, which will ultimately lead to the development of different concepts from one concept and thereby to a new venture.
- Have a Strong strategic financial planning for the future in order to avoid the difficulty in procurement and utilisation of funds in future.
- Be creative and positive and try to expand the relationship with people.
- Ability to study from failures and to recover from it as early as possible.

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