



THE FACTORS RESPONSIBLE BEHIND THE SUCCESS AND FAILURE OF START-UPS IN INDIA

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Abstract

India has emerged as a major hub for start-ups in recent years, with a growing number of entrepreneurs launching new businesses across various sectors. While some of these start-ups have achieved remarkable success, others have failed to gain traction and struggled to survive in the competitive market. This paper aims to identify the key factors that contribute to the success and failure of start-ups in India, using a combination of academic research, industry reports, and case studies. The factors analyzed include market fit, innovation, funding, management, competition, legal and regulatory issues, and team dynamics. The paper provides insights into the complex and dynamic nature of the start-up ecosystem in India and highlights the challenges and opportunities faced by entrepreneurs. The findings can be useful for policymakers, investors, and entrepreneurs seeking to understand the factors that drive start-up success and failure in India, and for developing strategies to support the growth and development of the start-up ecosystem.

Keywords: *Entrepreneur, market fit, start-up.*

1. Introduction

A start-up is a company or organization that is in its early stages of development and typically has an innovative business model, product or service. Start-ups are often focused on creating and introducing new technologies or disruptive solutions to the market. The goal of a start-up is usually to grow rapidly and become a profitable and sustainable business. Start-ups typically operate with limited resources and often rely on funding from investors, such as venture capitalists, to support their growth. Successful start-ups have the potential to create significant economic and social impact.

2. History of Stat-ups in India

The history of start-ups in India can be traced back to the pre-independence era, when entrepreneurs established businesses in different sectors such as textiles, agriculture, and trading. However, the start-up ecosystem as we know it today began to take shape in the 1990s with the advent of economic liberalization policies.

During the 1990s and early 2000s, the IT sector saw a boom in India, with many start-ups emerging in cities such as Bangalore, Hyderabad, and Pune. These start-ups focused on software development, IT services, and outsourcing. Some of the early success stories in this sector include Infosys, Wipro, and TCS.

In the late 2000s, the start-up ecosystem in India began to diversify, with start-ups emerging in sectors such as e-commerce, education, healthcare, and financial services. Flipkart, founded in 2007, is considered a pioneer in the e-commerce sector in India, and is often credited with laying the foundation for the growth of the e-commerce industry in the country.

In recent years, the Indian start-up ecosystem has witnessed tremendous growth, with several start-ups achieving unicorn status (a valuation of \$1 billion or more). Some of the most successful start-ups in India include Paytm, Ola, Byju's, Swiggy, Zomato, and Unacademy. These start-ups have not only disrupted traditional industries, but have also created new market segments and business models.

The Indian government has also taken several initiatives to support the growth of start-ups in the country. In 2016, the government launched the Start-up India initiative, which aims to provide start-ups with access to funding, mentorship, and other resources. The initiative has helped create a more supportive environment for start-ups in India, and has led to the emergence of several successful start-ups.

3. Literature of Reviews

Kalam et al. (2022) conducted a study to determine the causes of the failure of start-ups in India, looking at a variety of effects and contributing factors. Many IIT grads are starting their own enterprises instead of staying in well-paying jobs. However, considering the nature of the instruction and preparation provided, it might not be adequate to prepare aspiring businesspeople. He concluded that these may be main reasons behind the failure of start-ups in India like a profound ignorance of market demand, internal factors affecting the failure of start-ups such as plan, product market fit, talent, funding etc.

Kumar A. & Jyoti B (2020) were initiated a research to examine the relationship of start-up and socio-economic characteristics with their size. The study was based on primary data basis with 120 sample size of start-up founders. In Gujarat, it has been discovered that key determinants of start-up size include the stage of the business, the founders' participation in conferences, their educational background, the new products they launch, their professional connections, the source of funding, and support from incubators, accelerators, and supporting organisations. The stage of a start-up, help from a mentor, team members, the founders' educational background, collaboration with national or international organisations, and the presence of unskilled workers are all positively correlated with the annual sales of start-ups.

Nagpal M. et al. (2023) presented a research paper in a conference with the analysis of 10 cases of failure Indian companies to find the factors responsible for the failure of and provided the suggestion to overcome these challenges. Study used MICE (M – Business Model, I – Inventory, C – Customer & E – Environment) methodology to identify the factors of failure such as lack of proper training, lack of marketing research and improper planning and positioning of product etc. Study suggested to integration of entrepreneurial spirit in the education system, provide more tax incentives, bridge the digital divide, special relaxation on rural start-ups and create a favourable ecosystem.

Kalyanasundaram G. (2018) explored through an empirical case study on why do start-up fails in the Bangalore with the objectives of finding the difference between the failed and successful start-ups and what lesson they learn from their failure the another objective was to know the mode of winding up of the start-ups. Study used the MBTI method of personality testing to know the factors responsible behind the failure & success. The study depicted that Time to minimum viable product cycle, time for revenue realisation, founders' complementary skill sets, founders' age and domain expertise, founders' personality types, attitude towards financial independence, and willingness to take advantage of mentorship at crucial stages are just a few of the variables that will clearly distinguish unsuccessful start-ups from successful ones.

Manshani S. and Dubey A. (2017) conducted a study on women entrepreneurship in India, with the objectives of finding out the role of women entrepreneurs in economics development, what are the factors that responsible for encouraging and challenges in front of women to become entrepreneur. This study concluded that Government is proving various opportunities and creating a positive environment for the women entrepreneurs in terms of education, training & support. Some push factors are also responsible like death of husband, additional income and poverty etc.

Satyanarayana K. et al. (2021) the study looks at the impact that entrepreneurial, firm-specific, and external environment-related factors have on the competitiveness of Indian high-tech start-ups. It uses survival analysis methodologies for the analysis and considers start-up survival as a benchmark. A semi-structured questionnaire and in-depth interviews with the top management of the sample firms' top 175 high-tech start-ups in India were used to obtain primary data for the study, which was then analysed. The study's conclusions will assist entrepreneurs and decision-makers in revising their policies and strategies to improve the competitiveness of technology-based businesses operating in India..

Chitkara B. and Mahmood S. (2019) have done a systematic literature review (SLR) of the various researches done on the failure of start-ups from the year 2000-2017. Research used the three techniques to review i.e. bibliometrics, content analysis, and semantic analysis. Many research papers were used to analysis the reviews and find that mostly stat-ups were fail due to misstep, hindrance and learning.

4. Objectives of the Research: The following are the objectives of the Research –

- To have a conceptual clarity of start-ups.
- To identify the factors responsible behind the success and failure of stat-ups in India.
- To gain the knowledge about the impact of these factors on the performance of the ventures.

5. Research Methodology

This research paper is started with the research question - What are the key successes and failure factors for start-up ventures, and how do they impact the performance of these ventures? This is descriptive in nature because it tries to explore the existing scenario of the stat-ups in India. To identify the key factors responsible for the success and failure of the start-ups, secondary data was collected through various sources like internet, newspaper, books and journals.

6. Government initiatives for promoting stat-ups in India

The Indian government has launched several schemes to promote and support start-ups in the country. Some of these schemes are:

- **Start-up India:** Launched in 2016, this scheme aims to foster entrepreneurship and promote innovation by providing various incentives and benefits to start-ups such as tax exemptions, funding opportunities, and access to mentorship and networking.
- **Pradhan Mantri Mudra Yojana:** This scheme provides funding to micro and small enterprises, including start-ups, to help them meet their financial requirements for business expansion and growth.
- **Atal Innovation Mission:** This initiative aims to promote innovation and entrepreneurship by providing mentorship, funding, and infrastructure support to start-ups and innovators.
- **Stand-Up India:** This scheme provides financial assistance and support to women and SC/ST entrepreneurs to start their own businesses.

- **Make in India:** This initiative aims to promote the manufacturing sector in India, including start-ups in the sector, by providing various incentives and support to encourage domestic manufacturing and investment.
- **Digital India:** This scheme aims to promote the adoption of digital technology and infrastructure in the country, including support for start-ups in the technology sector.
- **National Initiative for Developing and Harnessing Innovations (NIDHI):** This initiative supports start-ups and entrepreneurs by providing incubation facilities, funding, and mentorship to help them grow and scale their businesses.

These are just a few examples of the many government schemes available to start-ups in India. As the start-up ecosystem in the country continues to evolve, the government is likely to introduce more initiatives to support and promote entrepreneurship and innovation.

7. Factors responsible for success of stat-ups in India

There are several factors that can contribute to the success of a start-up, some of which include:

- **Clear Value Proposition:** A start-up must have a clear and compelling value proposition that addresses a specific customer need or pain point. This can help the start-up differentiate itself from competitors and attract customers.
- **Product-Market Fit:** A start-up must have a product or service that is well-matched to the needs of its target market. This involves understanding the market, the customers, and their needs and preferences.
- **Scalability:** A successful start-up must have the potential to scale its business model and grow quickly, without sacrificing quality or customer satisfaction.
- **Strong Team:** A start-up needs a strong and dedicated team that can execute on its business plan and navigate the challenges that come with launching a new business.
- **Effective Marketing and Sales:** A start-up must be able to effectively market and sell its products or services to its target audience, in order to generate revenue and grow its customer base.
- **Financial Stability:** A start-up must have adequate financial resources to support its growth and expansion, whether through funding from investors or revenue generated from sales.
- **Innovation and Agility:** A successful start-up must be able to adapt and pivot quickly in response to changing market conditions, customer needs, and other factors that may impact its business.

Of course, there are many other factors that can contribute to the success of a start-up, and each start-up will have its own unique challenges and opportunities. However, by focusing on these key factors, a start-up can increase its chances of achieving long-term success.

8. Factors responsible for failure of stat-ups in India

There are several factors that can contribute to the failure of a start-up, some of which include:

- **Lack of Market Need:** A start-up that fails to address a significant customer need or pain point is unlikely to generate enough interest or demand for its product or service.
- **Poor Management:** A start-up with weak or inexperienced management may struggle to make sound decisions, execute on its business plan, and effectively manage its resources.
- **Inadequate Funding:** A start-up that is unable to secure sufficient funding to support its growth and expansion may struggle to develop its product or service, attract customers, and compete with established players in the market.

- **Strong Competition:** A start-up that faces intense competition from established players or other start-ups may struggle to differentiate itself and attract customers.
- **Legal and Regulatory Issues:** A start-up that fails to comply with legal or regulatory requirements, or faces lawsuits or other legal challenges, may face significant financial and reputational damage.
- **Failure to Pivot:** A start-up that fails to pivot its business model in response to changing market conditions, customer needs, or other factors may become irrelevant or obsolete.
- **Lack of Passion or Commitment:** A start-up that lacks passion, commitment, or a clear sense of purpose may struggle to inspire its team, attract investors, and differentiate itself from competitors.

It's worth noting that start-ups can fail for a variety of reasons, and each failure is unique. By understanding the potential factors that can contribute to failure, however, entrepreneurs can take steps to minimize their risk and increase their chances of success.

9. Challenges which occur in front of Stat-ups

Entrepreneurship can be a rewarding and fulfilling experience, but it is also fraught with challenges and obstacles. Here are some of the common challenges faced by entrepreneurs in start-ups:

- **Financial Constraints:** Raising capital is a significant challenge for many entrepreneurs, particularly in the early stages of a start-up. Limited financial resources can make it difficult to develop products, hire talent, or scale operations.
- **Uncertainty and Risk:** Starting a new business involves a high degree of uncertainty and risk, as there is no guarantee of success. Entrepreneurs must be willing to take risks and make difficult decisions, often with limited information.
- **Finding and Retaining Talent:** Building a strong team is critical to the success of a start-up, but it can be difficult to attract and retain top talent, especially in competitive industries.
- **Market Fit:** Identifying a market opportunity and developing a product or service that meets customer needs can be a significant challenge. It requires deep market research, customer insights, and a willingness to pivot or iterate based on feedback.
- **Competition:** Start-ups face intense competition from established players and other start-ups in the same space, which can make it difficult to differentiate themselves and gain market share.
- **Legal and Regulatory Challenges:** Entrepreneurs must navigate complex legal and regulatory requirements, which can vary widely by industry and geography. Failure to comply with regulations can result in significant financial and reputational damage.
- **Time Management:** Entrepreneurs often wear multiple hats and are responsible for various aspects of the business, from product development to marketing to fundraising. It can be challenging to manage time effectively and prioritize tasks.
- **Scaling:** As a start-up grows, it must be able to scale its operations while maintaining quality and customer satisfaction. This requires effective management, process improvement, and strategic planning.

Conclusion

In conclusion, the success and failure of start-ups in India is influenced by a range of factors, including market fit, innovation, funding, management, competition, legal and regulatory issues, and team dynamics. While there are many success stories of start-ups that have achieved remarkable growth and scaled up, there are also many cases of start-ups that have struggled to survive and ultimately failed.

The start-up ecosystem in India is dynamic and constantly evolving, with new opportunities and challenges emerging every day. Despite the challenges, there are also many reasons for optimism, including the availability of capital, a large and growing market, and a supportive policy environment.

To succeed in the competitive and fast-paced world of start-ups in India, entrepreneurs must be willing to take risks, pivot when necessary, and remain agile in the face of changing market conditions. They must also be able to build strong teams, develop innovative products or services that meet customer needs, and manage resources effectively.

In the long run, the success of start-ups in India will depend on the ability of entrepreneurs, investors, policymakers, and other stakeholders to work together to create a supportive and nurturing environment that fosters innovation, growth, and entrepreneurship. By working together and addressing the challenges facing start-ups in India, we can help unleash the potential of this vibrant and dynamic sector and create a brighter future for all.

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