



Start-ups Contribution to Economic Growth, Challenges and Problems Faced - A study of selected start-ups at Bengaluru Urban.

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Abstract:

Purpose : The stellar purpose of the present study is to know the problems and challenges faced by Bengaluru start-ups. Further, the study is also conducted to know the contribution of start-ups towards Indian economic growth. The start-ups are small and innovative in nature established with the unique intention of manufacturing a innovative product to serve the trendy population. These start-ups are effectively alleviating unemployment and plenty number of youths are finding jobs and some may turn as a start-up entrepreneur. Further, start-ups bring more flow of foreign money, new investments and better GDP are some of the other factors driving economic growth.

Design : A well drafted previously known questionnaire was administered to gather valuable information from innumerable start-up entrepreneurs of Bengaluru Urban. The researchers along with the students of M.Com. collected primary data in a natural setting by visiting the entrepreneurs workplace. The intention of data collection was explained prior to data collection. χ^2 , contingency coefficient Extent of Challenges Faced Index (ECFI), Kendall's co-efficient of concordance and ANOVA quantitative techniques were performed in order to process and present data to arrive at availed conclusion.

Findings : The study endow that major challenges like, in the order, fierce competition, exceeding customer expectation and lack of planning. The major problems faced includes, limited funding, lack of accurate advice and information, marketing strategy and customer retention and satisfaction. The factors driving economic growth includes employment generation, the biggest finding of the study and inflow of foreign money, new investments and better GDP.

Keywords : Economic development, challenges, problems, infrastructure, funding, team members, cyber security hiring, repetition, living standards.

Introduction:

India has emerged as the world's second largest start-up ecosystem next to US (Mallikarjun M. Maradi, 2023). India is the hotspot for start-ups and spacing forward at an exponential rate. The NASSCOM Tech Start up Report highlights 2021 as the year of unparalleled growth in the Indian tech start-up ecosystem, with continuous steady growth and key achievements. The Indian Government is increasingly showing greater enthusiasm to increase the GDP from grass root level with the induction of liberal policies and initiative for entrepreneurs like "Make in India", "Start-up India", MUDRA etc., Bengaluru, Mumbai and Delhi are ranked among the top 40 start-ups across the globe as per Global Start-up Ecosystem Report 2022. In 2021 alone India start-up have raised more than \$23 billion and spread over 1000+ deals, with 33 start-up entering the coveted Unicorn club. The number of start-

ups in India has grown over 225 times since the launch of start-up India programme. As compared to 442 start-ups in 2016, now nation has 99,371 start-ups as on May 14, 2023. Today at least one start-up is found in each of the 36 states / UTs. India is the home of > 100 unicorn and 23 of them emerged in 2022. A total of 8.93 lakh jobs have been created by start-up since the launch of the programme (Research Unit, Fact Sheet 2023, G-20).

Karnataka is well poised to play pivotal role in attaining India's ambitions aim of becoming a USD 1 trillion digital economy by 2025, with significant contributions by start-ups. Bengaluru often called as the silicon valley of India is the home of diverse range of innovative companies, particularly in sectors like Fintech, Saas, E-com and AI. As one of the India's largest tech hub Bengaluru continue to attract significant capital from both local and global investors. Bengaluru has been receiving increased global recognition as a technology start-up hub and at present Bengaluru is considered to be the home for the largest number of tech start-ups in the country (Bala Subramanyam, 2017).

Start-up India is a flagship initiative to build start-ups and nurture innovation. Via this initiative the government plans to empower start-up venture to boost entrepreneurship, economic growth and employment across India (Bash et al, 2019). Start-ups are mini organisations which are refined in nature and renewed of an entrepreneur (Akanksha Dutt, 2016). Start-up founders hope and dream of providing the needs of the society (Rajesh, 2023). Start-ups provide solution to the existing products or create entirely new variety of goods and services. The objectives of start-up are to be one's own boss and to create employment to others which warrants lot of endurance and sacrifice (Gopaldas Pawan Kumar (2018)). Through Bengaluru attracts numerous start-ups but they are faced by start-ups in their journey. The study uncovers challenges faced by start-ups in Bengaluru. The study provide valuable insights for the policy makers, investors and ecosystem stakeholders to know the different dimensions of start-up landscape and frame suitable needed and effective strategies to address these challenges.

Need for the study

The needs of younger generation has to be met in this technology situation otherwise it would be detrimental to economic growth. Factors like increasing population, growing internet usage, mobile penetration and growing economy are the more favourable features to the start-ups entrepreneurs to commence a venture. The usage of mobile and vast growth in the online retailing have set the stage for India to be aptly called as the biggest start-up destination and hence start-up entrepreneurs should avail the advantages of the same to grow further. The government of India's digital push also improves the connectivity and less cost data is assisting everyone and start-ups have easy tap into markets, territories and even traditional business. The favourable and amazing access to seed capital technology and ease of doing business has enhanced business opportunity for start-up entrepreneurs. Hence there is a need for start-up entrepreneurs to avail the existing facilities for establishment growth and development of start-up units.

Start-ups National Level Scenario

Table - 1 best industries for start-ups in India - 2022

Fintech	Real estate	B2B software	Delivery
Healthcare Tech	Big Data	Edtech	Service
Supply Chain	Virtual Reality	E-commerce	Logistic
Management	Leisure &	Shared mobility	
AI	entertainment		

Table -2 Opportunities for start-ups in India

Large Population	More Opportunities to learn
Developing new operatives	Flexible hours
Tax saving for investors	Unique experience
Unsure job security	Increased job satisfaction
Tax Holiday for 3 years	Minimal Supervision
Change of mindset of working class	Opportunities for innovation
Connectivity	More Benefits
Easy Exist	Reduction in cost
Innovation Society	Cheaper patent costs
	Simple process & easy access to fair

Source: Mallikarjun M. Maradi (2023).

Table - 3 : Start-up Index of Nations & Regions

Ranking of countries on share of Billion Dollar Start-ups (Unicorns)		Ranking of countries on share of value of Billion Dollar Start-ups (Unicorn)			Ranking of regions on share of Billion Dollar Start-ups Unicorn		Ranking of Regions of value of Billion Dollar Start-ups (Unicorn)	
Rank	Country	Share of Unicorns	Country	Valuation of Unicorns	Region	Share of Unicorns	Region	% Valuation of Unicorns
1	US	64.7%	US	63.3%	Silicon Valley	-3.92%	Silicon Valley	45.0%
2	China	13.8%	China	21.7%	New York	9.4%	Beijing	15.4%
3	India	4.1%	India	4.7%	Beijing	6.4%	Los Angeles	7.6%
4	UK	2.7%	Sweden	2.2%	Los Angeles	5.1%	New York	5.3%
5	Singapore	2.2%	Germany	1.5%	Boston	4.0%	Bengaluru	3.0%

Source : (i) USC Marginal School of Business, (ii) Mallikarjun M. Maradi (2023).

Table - 3 highlights data about ranking of start-ups by country and region at the global level. India has 3rd rank with 4.1% share of unicorns and in the valuation of unicorns 4.7% and ranking of regions on share of value of billion dollar start-ups, Bengaluru has at 3% 5th rank. Hence it is concluded here that start-ups are significant at the global scenario.

Review of literature

The research by Ritesh Dwivedi (2019) has thrown light on different aspects of start-ups and challenges they are facing which can be further analysed and solutions can be designed. Further, the study also discussed in detail to understand how they can benefit the start-ups.

Kumar (2015) found about the existing hardship environment in India and other countries. Government had taken also different measures and simplified the different rules and procedures to smoothen the process for setting a start-up. However on account of lack in break through innovation, there was some hesitation in initial findings for the start-ups. Further, the research expressed that incubator and accelerator culture had somehow provided the relief to the start-up eco system within India.

Appu et al. (2018) stated that innovation has always been one of the main aspects for the start up to flourish and with the changing needs and demands, some new innovations and more optimised forum of working and constant need of changing is an important aspect. Further, the researchers expressed that the success of products largely depends upon management of distribution channels in the target market. Company has to upgrade the product over the time to meet the expectations of customers.

Gokul Prashanth et al. (2023) found in his research paper that Bengaluru face multiple challenges which impacts growth and sustainability. The researcher further expressed that a limited access to funding emerged is a significant challenge with start-ups struggling to ensure adequate financial support. The fierce competition in Bengaluru further intensifies these problems and the emerging start-up entrepreneurs have to face problem of market variations, insufficient infrastructures.

Ponny Thomas et al., (2023) spoke about different challenges faced by HR professionals of start-ups in Bengaluru and they have taken necessary steps to overcome different challenges during pandemic Covid-19. They have taken effective measures while running the business through virtual platforms like counselling and motivating employees innovating new concepts for future recruitment virtual training process for employees.

Sweta Kumari (2024) expressed that India's economic situation is seeing growth and progress. The Indian government is displaying a growing eagerness to increase GDP growth rate from basic level. The startup sector has numerous problems including financing, human resources launching and maintaining development with determination. The study concludes that the present start-ups are overcoming the challenges.

Research methodology

A well designed research design acts as a guide and assures successful completion of data collection and presentation of data. It defines and simplifies the path to be followed in order to attain the stated objectives. Primary data gathered by a well administration of structured questionnaire and secondary sources include journals, books and internet. The participants of the study are the start-up entrepreneurs of Bengaluru Urban. These sample entrepreneurs of start-ups were interviewed by the researchers in order to obtain valid data. A well designed questionnaire was administered as schedule for the purpose of data collection. The start-up

entrepreneurs of Peenya 1st and 2nd stage. Dommalur, Electronic city were covered belonging to AI, digital marketing and software, payment acceptance E-learning, Edtech, Education etc., The study variables include all the factors driving challenges and factors driving problems are independent variable and start-up entrepreneurs are dependent variable. The study depends upon both primary and secondary data. Primary data gathered through a questionnaire administered as schedule and secondary data compiled after referring to journals, books and internet.

Objectives of the study

1. To study the challenges faced by start-ups in Bengaluru.
2. To analyse the problems faced by start-ups in Bengaluru.
3. To study the contribution of start-ups towards economic growth.

Hypotheses

1. Start-ups are not facing any challenges.
2. Start-ups are not facing any problems.
3. Start-ups are not contributing towards economic growth.

Research Questions

1. What are the challenges faced by start-ups at Bengaluru?
2. What are the problems faced by start-ups at Bengaluru?
3. What is the contribution of start-ups towards economic growth.

Limitations

1. The study is confined only to Bengaluru Urban.
2. The sample strength is small in nature.
3. Meeting the start-up entrepreneurs took time and faced financial and time constraints.

Research Gap

So far there is no answer from any of the existing studies on research about proper growth of starts ups at Bengaluru. The research has been carried out taking the best industries for start-ups and existing opportunities for start-ups in India. Start-ups are innovative concerns emerges with mixed efforts and feeling of entrepreneurs. The study further discuss and present the problems and challenges faced by start-ups of Bengaluru. For the most problems faced by start-up entrepreneurs economists and successful entrepreneurs should find solution to so line the problems to attain confident economic growth.

Extent of Challenges Faced Index (ECFI) :

$$ECFI = ECFI_{SA} + ECFI_A + ECFI_{SWA}$$

where $ECFI_{SA}$ = the total number of respondents expressed strongly agree in stating the extent of challenges faced.

$ECFI_A$ = the total number of respondents expressed agree in stating the extent of challenges faced.

$ECFI_{SWA}$ = the total number of respondents expressed somewhat agree in stating the extent of challenges faced.

Survey findings

Table - 4 let slip details about challenges faced by start-up entrepreneurs. To measure the Extent of Challenges Faced Index (ECFI) was framed and the challenges are measured. 3 point Likert scale was used to place bipolar opinions of respondents along with weights 3, 2 and 1 and each scaled observations are multiplied by corresponding weights and the derived sum is the basis for allocation of ranks. The study accordingly found that major challenges faced by start-ups in Bengaluru. The ranked drivers of challenges include, fierce competition, exceeding customer expectation and lack of planning. All the factors driving the challenges reveals a significant variation in the data with high degree of relationship between the two related variables as per contingency coefficient.

Table - 5 highlights about the problem faced by start-ups at Bengaluru. To measure the problems faced by the start-ups at Bengaluru Kendall's coefficient of variation quantitative technique was performed. The highest problem faced by start-ups in the order include limited funding, lack of advice and information and marketing strategy and customer retention and satisfaction. 'w' fails to accept H_0 and accepts H_1 and thus 'w' concludes about the significant and high degree of relationship between the problems.

Table - 6 reveals data about starts and economic growth. To measure the contribution of start-up towards economic growth ANOVA table was performed. To study found factor like employment generation, more flow of foreign money and in the third order new investments and better GDP drives economic growth. ANOVA fails to accept H_0 and accepts H_1 and it is concluded that there exist significant variability in the data.

Survey discussion: The start-ups at Bengaluru are providing jobs to innumerable persons and positively contributing to the growth and hence Bengaluru is nicknamed as "hub of start-ups". But start-ups at present facing challenges and problems, yet they are growing day by day and bringing good name to Bengaluru of the several problems faced by start-up the highest are fierce competition, exceeding customer expectation and lack of planning. The problems faced are limited funding lack of accurate advice and information marketing strategy and customer retention and satisfaction. At present at Bengaluru factors like employment generation, more flow of foreign money and new investments and better GDP are driving Karnataka State economic growth.

Conclusion:

The innovative start-ups at Bengaluru are popular and trend setting attracting the attention of new entrepreneurs. These start-ups require proper guidance from successful founders and strategic angles in all growth and development issues of business like business strategy, commonly building and connecting with highly skilled expert mentors. Bengaluru is aptly called as "start-up hub of India". The study reveals challenges like fierce competition exceeding customer expectation and lack of planning are faced at present by start-up entrepreneurs. The study also found problems faced by them which includes limited funding, lack of accurate advice and information, marketing strategy and customer retention and satisfaction. Factor like employment generation, more flow of foreign money, new investments and better GDP are the drivers of economic growth. The proposed "SWIFT city" development at Sarjapura near Bengaluru is a good sign of spread of start-ups and the proposed is a planned city covering 1000 acres and swift city is a planned and well connected location. Further, the spread of silicon city to the entire state including Vijayapura, Hubli-Dharwad covering 5 cities in the form of mini Quin city is going to provide employment and generates GDP.

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Table-4 : Challenges faced by start-ups in Bengaluru

Challenges faced by start-up entrepreneurs	Extent of Challenges Faced Index			ECFI	R	X ²	Result of x ²	“c”	Result of “c”
	SA	A	SWA						
Fierce competition	48	2	2	50	I	77.40	Significant	0.77	High Degree
	144	4	2	150					
Revenue generation	40	6	4	50	IV	49.09	Significant	0.70	High Degree
	120	12	4	136					
Team members	38	8	4	50	VI	41.41	Significant	0.56	High

	114	16	4	134					Degree
Supporting infrastructure	35	9	6	50	XIII	30.50	Significant	0.61	High Degree
	105	18	6	12.5					
Exceeding customer expectation	47	2	1	50	II	82.50	Significant	0.79	High Degree
	141	4	1	148					
Creating awareness in markets	37	8	5	50	VIII	37.45	Significant	0.65	High Degree
	111	16	5	132					
Tenacity of funders	32	14	4	50	XIV	24.13	Significant	0.57	High Degree
	96	28	4	128					
Developing sales strategy	35	11	4	50	IX	31.69	Significant	0.62	High Degree
	105	22	4	131					
Lack of mentorship	32	11	7	50	XX	21.61	Significant	0.54	High Degree
	96	22	7	125					
Growth of decelerators	35	11	4	50	IX	31.67	Significant	0.62	High Degree
	105	22	4	131					
Lack of good branding strategy	39	6	5	50	VI	44.89	Significant	0.68	High Degree
	117	12	5	134					
Replication silicon valley	34	10	6	50	XIV	27.5	Significant	0.60	High Degree
	102	20	6	128					
Cyber security	36	8	6	50	XII	33.73	Significant	0.63	High Degree
	108	16	6	130					
Partnership decision making	33	10	7	50	XVII	24.60	Significant	0.57	High Degree
	99	20	7	126					
Hiring suitable candidates	36	9	5	50	IX	34.09	Significant	0.63	High Degree
	108	18	5	131					
Financial management	39	7	4	50	V	45.13	Significant	0.69	High Degree
	117	14	4	135					
Unorganised and fragmented market creates road block for start-up	23	18	9	50	XXII	47.51	Significant	0.69	High Degree
	69	36	9	114					
Location of business	31	14	5	50	XVII	20.89	Significant	0.54	High Degree
	93	28	5	126					
Unaware of potential risks	25	19	6	50	XXI	60.11	Significant	0.73	High Degree
	75	38	6	119					
Lack of knowledge about sustainable business practice	31	16	3	50	XIV	23.53	Significant	0.57	High Degree
	93	32	3	128					
Lack of planning	38	11	1	50	III	43.93	Significant	0.68	High Degree
	114	22	1	137					
Training the employees	34	8	8	50	XVII	27.01	Significant	0.59	High Degree
	102	16	8	126					

Source: Field Survey

Note : χ^2 = Chi-square, c = Contingency co-efficient, df = 2, TV = 5.991

'c' = $\sqrt{(x^2 / x^2 + N)}$

C always near to 1. Closer to one shows high degree of relationship.

Table - 5 : Problems faced by start-ups in Bengaluru

Different Problems faced	SA	A	SWA	RT	RT ²
Limited funding	19	3	3	25	625
Team building and talent acquisition	2	1	-	3	09
Environmental clearance	1	-	-	1	01
Family support	1	1	-	2	04
Marketing strategy	3	1	-	4	16
Lack of accurate advice and information	4	1	1	6	36
Dealing with competition	1	1	-	2	04
Customer retention and satisfaction	3	2	-	5	25
Fear of failure	1	-	-	1	01
Resource Allocation	1	-	-	1	01
Total	36	10	4	50	722

Source : Field Survey

Note : SA = Strongly Agree, A = Agree, SWA = Somewhat Agree, RT = Row Total

$$SSR = \sum RT^2 - (\sum RT)^2 / N$$

$$= 722 - (50)^2 / 10 = 472$$

Use the sum of squares (SSR) in the following formula to obtain Kendall's W.

$$W = 12 \times SSR / k^2 N (N^2 - 1)$$

$$= 12 \times 472 / 9 \times 10 (10^2 - 1) = 5664 / 8910 = 0.6356$$

Test the significant of 'w' by using the x² static

$$x^2 = k (n - 1) w$$

$$= 3(10-1) \times 0.6356 = 3 \times 9 \times 0.6356 = 17.16$$

Decision: At 8 df level of significance the TV = 16.919. The calculated value being 17.16 higher than the critical TV and hence "w" fails to accept H₀ and accepts H₁. Therefore it is concluded that there exist significant high degree of relationship between problems and start-up entrepreneurship.

Table - 6 : Start-ups and Economic Growth

Factors driving economic growth	SA	A	SWA	T
Employment generation	9	3	1	13
New investments	5	1	1	7
Research and development	4	1	-	5
Better GDP	5	1	1	7
More outstanding of services	2	-	-	2
More flow of foreign money	6	2	1	9
Improves standards of living	4	2	1	7
Total	35	10	5	50

Source: Field Survey

Note : SA - Strongly Agree, A - Agree, SWA - Somewhat Agree, T - Total

ANOVA Table

Source of variation	SS	df	MS	F-ratio	5% F Limit (From F Table)
Between the sample	74.0250	(3-1) = 2	74.0250/2 = 37.0125	37.0125 / 2.1140 = 17.508	
Within sample	35.0535	(21-3) = 18	35.0535 / 18 = 2.1140		(2, 18) = 3.55
Total	109.0785	(21-1) = 20			

ANOVA Analysis : The calculated value being 17.508 higher than the TV = 3.55 @ 5% level of significance with df = v₁ = 2 and v₂ = 18, and hence ANOVA fails to accept H₀ and accepts H₁ and it is concluded that there exist significant variation in the data.