

Challenges faced by startup entrepreneurs on account of COVID-19, management and triggering factors of growth in startups at Bengaluru - A study

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Abstract

1. Abstract

Bengaluru is the home of approximately 3100 to 4900 active tech startups (www.instamajo.com) The startups in India are reeling and bleeding on account of a new variety of disease called COVID-19 pandemic. The worst sufferers are early startups and mid stage business especially in the business to consumers area. NASSCOM found that around 60% of the B2C startups are faced closure (Alnoor Premchand 2020) and now are feeling difficult to restart the business. The impact from the pandemic to the global economy is estimated at \$2Trillion (Data lab Inc 42). 31% of starts in India layoffs as a means to reduce cost. The spread of Corona virus caused huge losses and miseries and brought a new order of socio economic human relations in the world. The widespread uncertainty among investors, coupled with consumers hysteria and emerged supply chain related problems caused irreparable losses and inconveniences around the world. The possibility of business coming to normally is unpredictable unless a major breakthrough is attained in COVID-19 vaccine. With all this development in India some new type of startups like Moksha Service Startup companies are emerging which provide online funeral services at Pune (www.firstpost.com). The main purpose of the present study is to know the challenges faced by startups due to COVID-19, and to study the startup entrepreneurs understanding of management without failure and how to improve the startups. Further, the study also makes over attempt to study the reasons behind growth of startups at Bengaluru.

KEYWORDS : Lockdown, economic activity, palace grounds, COVID-19, consequences.

2. Introduction

The birth of Corona Virus (SARS - Cov - 2) and the spread of COVID-19 has forced many economies to take drastic steps (Andreas Khakertz et al. 2020). The lock down of greater areas and sealdown of a few areas in Bengaluru led to stop economic activity and economic life has come to stand still which shook a large number of economic actors and startups. The administrators who are responsible to shape the economy admit the present

pandemic being a metaphorical black swan event, a supporting unpredictable event of importance and emerging innumerable consequences change the political and economic environment (Winston 2020). The migrated labour at Bengaluru suffered a lot and the pain they understand is unexplainable. The situation at palace grounds at Bengaluru was pathetic and heart burn and administrators were busy in containing COVID-19.

The impact of COVID-19 on startups or small business is more brutal as they have small reserve of cash which may be sufficient to meet sudden ups and downs. The cumulative effect of shut of small, medium and other startups will have a key impact on India's economy since business sectors are seriously affected resulting in small portion of revenue generation due to conventional stop in the sale of products and services. The required raw material sourcing is a problem and already there is a cry that some products in the likely near may not be available. It is expected that India's growth rate of India FY 20-21 will be down to 2% from a range of 4.7% - 5.20% as was predicted by the rating agency ICRA.

The consequences that arises from COVID-19 may be grouped into two fold crisis. First it placed burden unexpected on many health issues at global level and secondly the infection measure caused economic crises bringing a large portion of economic activity to stand still. The startups the future best which are responsible to shape the economy are of the most vulnerable actions in any economy (Watch & Cunningham 2016).

3. Research Methodology

3.1 Universe : Universe of present study is confined only to Bengaluru and a sample of 200 startup entrepreneurs were approached and data collected through a questionnaire which was administered is schedule.

3.2 Sources of Data : The present study consider both primary and secondary data. The primary data collected through a well administered questionnaire and secondary sources include journals and websites.

3.3 Statistical tools used : There point scale Likert was adopted to present the bipolar opinions of start as entrepreneurs and then ANOVA quantitative metric was performed to test the variation in the data and good fit of data.

3.4 Limitations : (1) The study is confined only to Bengaluru, (2) Any generalisations requires further depth study, (3) The lockdowns and reopen, transportation and social distancing were a few problems faced.

4. Objectives :

- (1) To study the consequential COVID-19 challenges,
- (2) To know startup entrepreneurs level of managing startups without failure.
- (3) To analyse the level of awareness among entrepreneurs about the ways to improve startups.

- (4) To know the awareness among entrepreneurs about factors that triggers growth of startups.

5. Hypotheses

- 1) There are no consequential challenges of COVID-19.
- 2) Entrepreneurs are unaware of managing startups without failure.
- 3) Entrepreneurs are unaware of ways to improve startups.
- 4) The triggering factors of growth are not aware by entrepreneurs.

6. Review of literature

Agarwal (2017) stated that a successful startup cannot start a business just with passion and an idea. The researcher revealed that a high level of leadership skills with clear understanding of market, excellent communication skills, maturity to see things in current and right perspective with the capacity of risk calculation are required on every part of entrepreneur.

Tarakeshwara Pandey (2017) expressed that absence of branding strategy bars startups from following speedily. The author is of the opinion that a multiple number of startups struggle to build good branding strategy for their business. The researcher concludes by stating that advancement will influence the target audience positively and create best image of the company.

Gopaldas Pavankumar (2018) stated that the area of startup has lot of challenges ranging from finance to human resources and from launch to sustaining the growth with tenacity. The author is of the opinion that there exist a multiple number of opportunities ranging from food, retail and hygiene to solar and IT application at affordable cost.

Kalyana Sundaran (2018) is of the opinion that failed startups have many lessons to offer to the ecosystem and offer guidance to the potential entrepreneur. The researchers further stated that technology startup ecosystem of Bengaluru is influenced by factors like minimum viable product cycle, time for revenue realisation, age of founders attitude towards financial independence etc. and are decisive in differentiating failed startups to successful one.

Manu Thyagi (2019) expresses that startup is an opportunity for an entrepreneur to educate and inspire others while some are thinking of how to do and what to do. Further the authors stated that the startup entrepreneurs are facing problems but they are rising like a sun.

Himani Sardar (2019) expressed that government of India has launched many new schemes recently in different sectors to promote new concepts and to create better economy in terms of demographics India has. In India youths expresses positiveness towards entrepreneurship as a career but still they are unaware of latest development in the area of norms to schemes.

7. Survey findings

Table-1 states details about impact of COVID-19 on startups. There are 110 respondents who have agreed strongly and followed by 60 agree and 30 somewhat agree. The variation analysis of 110 respondents who said strongly agree 21 expressed about sharp rise in unemployment, 20 spoke about stress on supply chains, 19 indicated about collapse of hospitality and tourism industry, 18 felt about decrease in consumer activity, 17 stated about decrease in business, and 15 voiced about decrease on government income. Variation analysis of 60 respondents who said agree reveals that 13 stated about collapse of hospitality and tourism industry, 11 stated about sharp rise in unemployment, 10 felt about decrease in business, 9 each voiced about decrease in consumer activity and decrease in government income and 8 spoke about stress on supply chains. Further, the table reveals that a majority of 7 out of 30 who said somewhat agree states about collapse of hospitality and tough industry, 6 indicated about rise unemployment. ANOVA test fails to accept H₀ and adopts H₁ and hence it is concluded here that there exist significant variations in the data.

Table - 2 reveals data about understanding startup entrepreneurs level of managing startups without failure. 105 respondents strongly agree over the awareness level followed by 67 agree and 28 somewhat agree. The highlights of 105 respondents variation analysis reveals that 20 expressed about predict the impact of COVID-19 and any other problems. 18 spoke about to know the strength of competition, 14 each expressed about consider customers feedback and fix the prices property. The highlights variation analysis of 67 respondents reveals that 17 spoke about prediction of COVID-19 effect and any other, 10 each said about know the strength of competition and fix the prices properly and 8 each spoke about consider customers feedback and cater to the need of market. Further, the table highlights that out of 28 who said somewhat agree, 6 spoke about predict the impact of COVID-19, 5 expressed about fix the prices properly and 4 each spoke about consider customers feedback and understand the strength of competition ANOVA test fails to accept H₀ and accepts H₁ indicated by about the presence of significant variations in the data.

Table-3 highlights about awareness of ways to improve the startups. There are 110 respondents are said strongly agree about the drivers of awareness to improve the startups followed by 60 agree and 30 somewhat agree. The highlights of 110 respondents who said agree reveals that a majority of 25 said about spend money in infrastructures, 25 revealed about insist on tax cuts etc., 21 voiced about keep touch with sources of raw materials and 20 each felt about cutting the rates induced by RBI and reduce slowly the impact of COVID-19. Further the table also highlights that a majority of 15 out of 60 who said agree reveals about reduce the COVID-19 impact, 14 spoke about spend money on infrastructures, 12 said about cutting the rates by the banks. Out of 30 who said somewhat agree a majority of 7 each spoke about spend money on infrastructures and reduce slowly the impact of COVID-19 and 6 spoke about cutting the rates by banking sector. ANOVA fails to accept H₀ and accepts H₁ and it can be concluded here about the presence of significant variations in the data.

Table - 4 highlights data about factors responsible for triggering of startup growth. 108 respondents said strongly over the satisfied factors triggering the growth of startups followed by 62 agree and 30 somewhat agree. The variation analysis of 108 respondents who said strongly agree, reveals that 22 said about availing the opportunity of mandatory gains 20 indicated about private market investors me, more willing to invest in high growth startups, 19 voiced about employment creation, 17 voiced about buyers are more open to buy products and 15 each stated about avoiding the benefits of multiple cost effective etc., and quality of life, recognition and socially responsible. Out of 62 who said agree 13 stated about benefit of cost 12 spoke about private market investors willingness, 11 voiced about availing the benefits of monetary gains, 9 each indicated about employment creation and quality of life, recognition etc., and 8 voiced about buyers are more open to buy products from startups. Out of 30 who said some what agree 6 each spoke about private market investors are more willing and to avail the opportunity of monetary gains and 5 each voiced about buyers are more open to buy products from startups and quality of life etc., ANOVA fails to accepts H0 and accepts H1 and hence it is concluded here that there exist significant variation in the data.

8. Conclusion

The COVID-19 pandemic has caused lot of problems and many are facing the problem of temporarily halting operations or are in the process of closing down with around 70% having cash reserves to at least less than 3 months. This global pandemic is a lesson to the entrepreneurs are aware of managing units in times of crisis of course this pandemic has given birth to a new variety of startups where the services are offered online. Economic actively at Bengaluru is gaining momentum and any early solution to the virus may speed up the program of startups.

Table - 1 : Challenges faced by Startup Entrepreneurs on Account of COVID-19

Challneges of COVID-19	SA	A	SDA	T
Sharp rise in unemployment	21	11	6	38
Stress on supply chains	20	8	5	33
Decrease in consumer activity	18	9	5	32
Decrease in business and threatens the functioning and performance of business	17	10	3	30
Decrease in government income	15	9	4	28
Collapse of hospitality & tourism industry	19	13	7	39
Total	110	60	30	200

Source: Field Survey

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

Hypotheses

H0	There exist no significant variation in the data	Reject
H1	There exist significant variation in the data	Accept

ANOVA Table

Source of Variation	SS	d.f.	MS	F-ratio	5% F-limit (from the F-table)
Between sample	544.1556	(3-1)=2	544.1556/2 = 272.6778	272.0778/3.1557 = 86.218	
Within sample	47.3334	(18-3)=15	47.3334/15 =3.1557		(2,15) =3.68
Total	591.4890	(18-1)=17			

Source : Field Survey

ANOVA Analysis

The calculated value being 86.218 higher than the TV = 3.68@5% level of significance with $df = v_1 = 2, v_2 = 15$ fails to accept H_0 and accepts H_1 . Therefore it is concluded here that there exist significant variation in the data.

Table - 2 : Understanding startup entrepreneurs level of managing startups without failure

Awareness level	SA	A	SDA	T
Understand properly the strength of competition	18	10	4	32
Conder customers feedback	14	8	4	26
Cater the need of the market	13	8	3	24
Predict the impact of COVID-19 virus effect on startups and other drastic problems	20	17	6	43
Fix the prices properly	14	10	5	29
Form a well rounded team	13	7	3	23
Retain the existing employees and discourage quittals	13	7	3	23
Total	105	67	28	200

Source: Field Survey

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

Hypotheses

H0	There exist no significant variation in the data	Reject
H1	There exist significant variation in the data	Accept

ANOVA Table

Source of Variation	SS	d.f.	MS	F-ratio	5% F-limit (from the F-table)
Between sample	423.5231	(3-1)=2	423.523/2 = 211.7015	211.7615/6.9841 = 30.32	
Within sample	125.7143	(21-3)= 18	125.7143/18 =6.9841		(2,18) =3.55
Total	549.2374	(21-1)=20			

Source : Field Survey

ANOVA Analysis

The calculated value being 30.32 higher than the TV = 3.55@5% level of significance with $df = v_1 = 2, v_2 = 18$ fails to accept H0 and accepts H1. Therefore it is concluded here that there exist significant variation in the data.

Table - 3 : Awareness of ways to improve the startups

Drivers of awareness to improve the startups	SA	A	SDA	T
Spend money on infrastructure development				
Rebuild India, Rejuvenate India	25	14	7	46
Banking sector needs to cut the rates induced by RBI	20	12	6	38
Inisist on tax cuts and tax holidays for 6-12 months	24	9	5	38
Reduce slowly the impact of COVID-19 on production distribution of goods and services	20	15	7	42
Keep touch with sources of raw material and discourage labour turn over.	21	10	5	36
Total	110	60	30	200

Source: Field Survey

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

Hypotheses

H0	There exist no significant variation in the data	Reject
H1	There exist significant variation in the data	Accept

ANOVA Table

Source of Variation	SS	d.f.	MS	F-ratio	5% F-limit (from the F-table)
Between sample	653.3335	(3-1)=2	653.3335/2 = 326.6668	326.6668/4.3333 = 75.38	
Within sample	52.0000	(15-3)= 12	52/12 =4.3333		(2,12) =3.88
Total	705.3335	(15-1)=14			

Source : Field Survey

ANOVA Analysis

The calculated value being 75.35 higher than the TV = 3.88@5% level of significance with $df = v_1 = 2$ and $v_2 = 12$ fails to accept H0 and accepts H1. Therefore it is concluded here that there exist significant variation in the data.

Table - 4 : Awareness of factors triggering startup growth

Factors triggering growth of startups	SA	A	SDA	T
Private market investors are more willing to invest in high growth startups	20	12	6	38
Buyers are more open to buy products from startup	17	8	5	30
Benefits of multiple cost effective, selling channels platform to reach potential buyers	15	13	4	32

To avail the opportunity of monetary gains	22	11	6	39
Employment creation	19	9	4	32
Quality of life, recognition & socially responsible	15	9	5	29
Total	108	62	30	200

Source: Field Survey

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

Hypotheses

H0	There exist no significant variation in the data	Reject
H1	There exist significant variation in the data	Accept

ANOVA Table

Source of Variation	SS	d.f.	MS	F-ratio	5% F-limit (from the F-table)
Between sample	3076.4756	(3-1)=2	3076.4758/2 = 1538.2378	1538.2378/4.2222 = 364.32	
Within sample	63.3334	(18-3)= 15	63.3334/15 =4.2222		(2,15) =3.68
Total	3139.8090	(18-1)=17			

Source : Field Survey

ANOVA Analysis

The calculated value being 364.32 higher than the TV = 3.68@5% level of significance with $df = v_1 = 2$ and $v_2 = 15$ fails to accept H0 and accepts H1. Therefore it is concluded here that there exist significant variation in the data.

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