

A Study on Determinants of Success and Failure of Startup Companies in Coimbatore District

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Abstract

Startups are the entrepreneurial ventures that seek to develop innovative products or services. Startups are characterized by high growth potential and scalability; startups typically operate in uncertain and dynamic environments. Studying the successes and failures of new businesses is crucial, especially in developing entrepreneurial hotspots like Coimbatore, which has seen explosive growth in the industrial and technology domains. The primary factors determining the success of startups in the Coimbatore district are examined in this study. The study is based on Primary Data collected from 14 startup entrepreneurs using Simple Random Sampling Technique. The research also looks at the difficulties faced by startups, such as poor infrastructure, competitiveness, regulatory obstacles etc. The research offers valuable insights for entrepreneurs, investors, and policymakers to foster a more supportive environment for startups in Coimbatore, contributing to the overall economic development of the region.

Keywords: Startups, Coimbatore, Innovation, Success, Failure

INTRODUCTION

Startups are creative, fledgling firms founded with the intention of creating and launching a novel good or service. Usually, they are started by business people who want to solve a particular issue or take advantage of a business opportunity. Startups are recognized for their capacity to grow quickly, their emphasis on disruptive innovation, and their capacity to draw funding from angel and venture capitalists. The startup culture, which encourages innovation, job creation, and the development of new business models, has emerged as a major global driver of economic growth and technical improvement.

Especially in their early phases of expansion, startups play a significant role in the creation of jobs. Employers from a variety of areas, including engineering, marketing, sales, and operations, are hired as they grow, which lowers the unemployment rate. Many startups have a worldwide reach and are not limited by physical limits. Through large-scale problem resolution, startups can significantly influence nations and sectors. They can innovate more swiftly than big firms because of their agility in responding to shifting market conditions. Venture capital firms, angel investors, and private equity make large investments in the startup ecosystem. The local economies of the places where these companies have their headquarters benefit from this financial infusion as much as the startups themselves.

Characteristics of the Startup Companies



Innovation

Startups frequently strive to solve a problem or fill a gap in the market with a new product, service, or business strategy. They generally rely on cutting-edge technology or creative techniques to disrupt current sectors.

Uncertainty

Startups involve lot of risk and uncertainties. Their success is unclear, with many companies facing failure owing to competition, financial constraints, or a lack of market demand.

Scalability

A primary ambition for many startups is to scale quickly. They attempt to build their customer base and revenue at a rapid pace, generally with the possibility to expand globally.

Funding & Investment

The majority of businesses need outside investment to expand. In return for equity, they usually draw contributions from angel investors, venture capitalists, and crowdfunding platforms. Self-funding, or bootstrapping, is also typical in the early phases.

Lean Structure

Small teams and a lean organizational structure are common features of startups, which enable them to be adaptable and rapid to changes in the market.

Growth Mindset

Startups prioritize growth by concentrating on increasing their user base, taking market share, and improving their product or service. To improve their offering, they frequently make changes in response to customer input and market trends.

Startup Ecosystem in Coimbatore District

Coimbatore is known as the "Manchester of South India" because of its robust textile industry. Historically recognized for its industrial strength, particularly in the fields of engineering, agriculture, and textiles, Coimbatore has progressively evolved into a city that supports entrepreneurship, innovation, and

technology-driven businesses. A variety of variables, such as Coimbatore's academic institutions, industrial heritage, resource availability, and proactive government regulations, have contributed to the creation of the city's startup environment.

A major part of Coimbatore's startup culture promotion has come from the government. Coimbatore has benefited greatly from measures aimed at establishing a strong ecosystem for entrepreneurship, one of the main goals of Tamil Nadu's startup policy. Funding programs, accelerators, and incubators supported by the government have made it easier for entrepreneurs to obtain necessary resources. Early-stage entrepreneurs have benefited greatly from programs like the Tamil Nadu Startup and Innovation Mission (TANSIM), which have made funding possibilities, mentorship, and policy support easier to access. By giving entrepreneurs tax breaks, streamlining compliance, and opening up channels for venture capital and angel finance, the central government's Startup India initiative has also been instrumental in bolstering the city's startup scene.

Review of Literature

By examining the Indian startup ecosystem, **Reddy and Rao (2020)** studied the functioning of startups in sustainable economic development. The article explores the factors influencing startup's success and provides an outline of their growth and effect in India. The authors explore the difficulties faced by startups and emphasize the value of encouraging regulations, easy access to capital, mentorship, and innovation-driven entrepreneurship for long-term economic growth. They stress the importance of stakeholder cooperation in fostering an environment that is supportive of startups in India.

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.

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. **Tomar and Singhal (2023)** identified 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.

Nagpal et al. (2023) presented a research paper in a conference with the analysis of 10 cases of failure of Indian companies to find the factors responsible for the failure 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 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.

Statement of the Problem

Startups are companies that focused on product or service that the entrepreneur wants to bring to the market. It also requires some special skills like doing things in advance in an innovative way and also with lot of care and professionalism. Now a days many companies are failed and some come up with facing extraordinary challenges in front of them. On an average 9 out of 10 startup companies fail. It has always been the need of entrepreneurs to know the key factors involved in creating a successful company and reasons which are responsible for the failure. Hence, it is highly desirable to increase the success rate and reduce the failure rate of the startup and not much work have been done to address the same. Hence, the study highlights the determinants of success and failure of startup companies in Coimbatore district.

Objectives of the Study

1. To study the Socio-Economic Status of startup entrepreneurs in Coimbatore district.
2. To analyse the Determinants of Success and Failure of startup companies in Coimbatore district.
3. To identify the Problems faced by the startup companies in Coimbatore district.

Research Methodology

Nature of Research Design and Data Collection

The study aims to know the socio-economic status and determinant of success and failures of startup companies in Coimbatore district. Hence the study is both Descriptive and Analytical in nature. The present study was based on the Primary Data. The primary data collected directly from the startup entrepreneurs using Questionnaire.

Sample Size

According to the data collected from the startup Tamil Nadu under the Ministry of Micro, Small and Medium Enterprises (MSME), Government of Tamil Nadu, there are 28 startup companies are registered in Coimbatore district in the year 2017. From this, sample of 14 registered startup companies (50%) were collected for the study using Simple Random Sampling Technique.

Analysis and Interpretation

Socio Demographic Profile of the Startup Entrepreneurs

Socio-demographic profiles are crucial for comprehending the traits and dynamics of a population, whether it is in a nation, a neighbourhood, or a particular social setting. Important variables in socio demographic profiles include gender, age, marital status and educational qualification.

Table 1 Socio Demographic Profile of the Startup Entrepreneurs

Variables	Particulars	Frequency	Per cent
Gender	Male	13	93
	Female	1	7
	Total	14	100
Age	Below 20 Years	3	21
	20 to 30 Years	6	43

	31 to 40 Years	4	29
	Above 41 Years	1	7
	Total	14	100
Marital Status	Married	5	36
	Unmarried	9	64
	Total	14	100
Educational Qualification	Higher Secondary	2	14
	Under Graduate	8	57
	Post Graduate	4	29
	Total	14	100

Source: Primary Data

Gender

Gender of the respondents has been classified into two categories i.e., Male and Female. Most of the respondents were male entrepreneurs (93%), and the female entrepreneurs is (7%). This shows that female's contribution in the startups is lesser than the male. This is because of variety of reasons, including cultural expectations, a lack of role models in leadership roles, and restricted access to capital. Women are frequently discouraged from pursuing entrepreneurship by gender bias and cultural conventions. For women in work, juggling family obligations can sometimes provide additional difficulties.

Age

For the purpose of the study, Age of respondents has been classified into four group. Majority of the respondents belong to the age group of 20 to 30 (43%) followed by 31 to 40 (29%), Below 20 (21%) and Above 41 (7%). Young people's inventiveness and ability to adjust to contemporary technology have led to an increase in their involvement in business. They embrace entrepreneurship as a method to achieve financial freedom and generate impact.

Marital status

Marital status is the distinct option that describe a person's relationship. In our study, most of the entrepreneurs were unmarried (64%) and remaining 36 per cent of the entrepreneurs were married.

Educational Qualification

Education gives us a knowledge of the world around us and changes it into something better. To achieve in any business, Education is the most important basic things. In the study, majority of the respondent's education was Under Graduate (57%), followed by Post Graduate (29%) and Higher Secondary (14%). Critical abilities like invention, communication, and problem-solving are acquired through education and are crucial for success in the business and also education promotes economic growth by facilitating leadership and well-informed corporate decisions.

Determinant of the Startup

Determinant of the startups refers to various factors that leads to the success and failure. The important factors like team, market, company idea, and the execution etc. determines the operating status of the business.

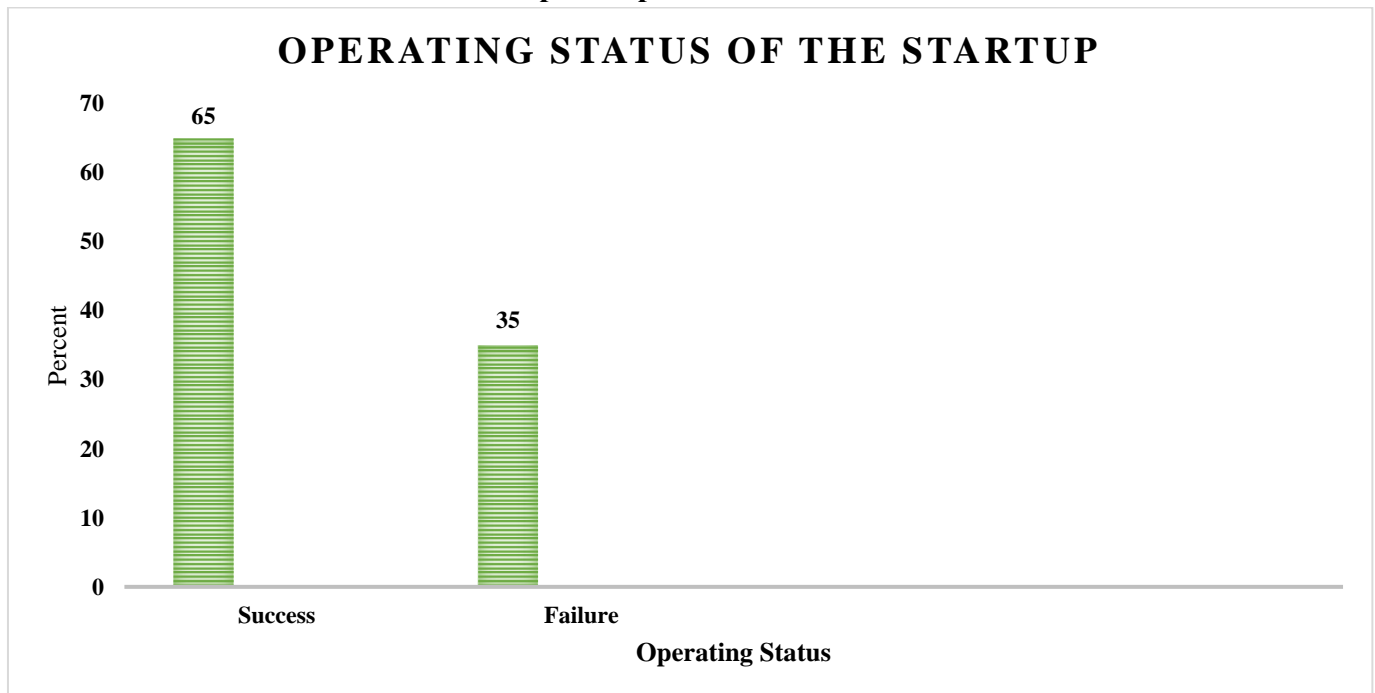
Table 2 Determinant of Success and Failure

Variables	Particulars	Frequency	Per cent
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Operating Status	Success	9	65
	Failure	5	35
	Total	14	100
If Success, reason*	Quality of the Product or Service	3	18
	Technology & Innovation	2	12
	Supporting Government Schemes	1	6
	Proper Business Plan	5	29
	Strong Leadership	4	23
	Operational Efficiency	2	12
	Total	17	100
If Failure, reason*	Lack of Skilled Labour	2	12
	Market Condition	4	25
	Lack of Finance	6	38
	Ineffective Marketing and Branding	3	19
	Poor Team Dynamics	1	6
	Total	16	100

Source: Primary Data

Multiple Responses are Possible



Source: Primary Data

The study found that, majority of the startups are succeeded in their business (65%) and remaining (35%) of the startups are failed in their business.

Reasons for Profit

Most of the startups succeed by concentrating on the Proper Business Plan (29%), followed by Strong Leadership (23%), Quality of the product/Service (18%), Technology & Innovation and Operational Efficiency (12%) and remaining six per cent of the startup were succeeded through supporting Government schemes.

Reason for Loss

The study reveals that startups face loss due to Lack of skilled Finance (38%) followed by Market conditions (25%), Ineffective Marketing and Branding (19%), Lack of Skilled Labour (12%) and Poor Team Dynamics (6%).

Problems Faced by the Startup

Startups often encounter numerous challenges during their early stages, ranging from financial constraints to intense competition. The following table explains the problems faced by the startup companies:

Table 3 Problems Faced by the Startup

Variable	Particulars	Frequency	Per cent
Problems Faced by the Startup*	Poor Infrastructure	1	4
	Lack of Collateral Security	4	14
	Difficult to know the Consumer Demand	6	21
	Work Life Balance	5	18
	Competition from Large Companies	3	11
	Legal Disputes	2	7
	Hiring & Retaining Talent	7	25
	Total	28	100

Source: Primary Data

Multiple Responses are Possible

The study denotes that most of the respondents considers Hiring & Retaining Talent is the major problem (25%), followed by Difficult to know the Consumer Demand (21%), Work life balance (18%), Lack of collateral security (14%), Competition from large companies (11%) and Legal disputes (7%) and Poor infrastructure (4%).

The study applied Chi Square to test the relationship between Operating Status and Educational Qualification of the entrepreneurs.

Hypothesis of the Study

H₀ : There is no relationship between Operating Status and Educational Qualification of the Respondents.

H₁ : There is a relationship between Operating Status and Educational Qualification of the Respondents.

Table 4 Chi Square Test

Result of Chi Square	
χ^2	0.02
$\chi^2 = 0.05$ d.f = 2	19.00
The Null Hypothesis (H₀) was Rejected	

Source: Computed from Primary Data

The calculated χ^2 value came to 0.02 and Degrees of Freedom is 2. Tabulated χ^2 at 5 per cent level of significance is 19.00. Hence, the Chi Square value is less than 0.05, the Null Hypothesis is rejected. Therefore, it concluded that there is some relationship between Operating Status and Educational Qualification of the Respondents.

Motivation Factors of an Entrepreneur

The study analysed the most significant factor which influences the respondents to become an entrepreneur, Garrett's ranking technique was used. As per this method, respondents have been asked to assign the rank for all factors and the outcomes of such ranking have been converted into score.

Table 5 Garrett Ranking

Factors	Total Score	Rank
Disappointment with Previous Job	558	8
High Income	802	2
Family Associated with Business	559	7
Create Social Impact	787	4
Passion	788	3
Freedom of Operation	900	1
Create employment	756	5
Flexibility	621	6

Source: Primary Data

The results of the Garrett Ranking Technique showed that first rank was given to Freedom of operation, followed by High income was ranked as second, followed by Passion was ranked as third, followed by Create social impact was ranked as fourth, fifth rank was given to create employment, followed by Flexibility was ranked as sixth, Family associated with Business and Disappointment with previous job were ranked seventh and eighth.

Suggestions

- Establish partnerships between startups, academic institutions, and industry leaders to create a collaborative environment. This will foster innovation, knowledge sharing, and support.
- Encourage startups to conduct in-depth market research and gather continuous customer feedback to ensure that their product or service aligns with real market needs.

- Conduct workshops and training on new and emerging technologies (AI, Automation, etc.) to assist entrepreneurs use advanced tools and technique for efficiency and innovation.
- Encourage a mindset where failure is seen as a learning experience. Organizing startup failure meetups and case study discussions can help entrepreneurs learn from others' mistakes.
- Help startups prioritize long-term sustainability over short-term gains, by developing scalable and environmentally responsible business practices.

Conclusion

The study on the determinants of success and failure of startup companies in Coimbatore District highlights several critical factors that influence the growth and sustainability of entrepreneurial firms in the region. The study comes to the conclusion that Coimbatore's startup success rate will be greatly increased by a mix of strong operational efficiency, quality of the product or service, strong leadership, supporting government schemes etc. and also there are certain factors that leads to the failure of startups like lack of finance, market condition, lack of skilled labour etc. By resolving these factors, the Coimbatore can become a premier centre for entrepreneurship and contribute to future economic expansion and employment development.

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