

Impact of Economic Factors for Startup Growth : A Study With Reference to India



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Innovation and economic development in India's Western Zone are greatly influenced by the startup environment. Startups in the area are the focus of this article, which also analyses the present environment, difficulties, and potential solutions. Drawing attention to the importance of comprehending these dynamics, the research seeks to identify critical barriers impeding the growth of startups and offers strategic suggestions for creating an atmosphere that is favourable to entrepreneurship. Results from this qualitative literature review and empirical investigation highlight the requirement of well-targeted policies and programmes to sustainably encourage the expansion of new businesses. Policymakers, investors, and entrepreneurs may all benefit from the practical insights provided by this study, which also adds to larger conversations on regional economic growth.

Keywords: Startup ecosystem, India, Western Zone, Entrepreneurship, Innovation, Economic Development

1. Introduction

Start-up

Start-ups also face significant risks and challenges, such as the need for significant investment to get off the ground, the lack of revenue in the early stages, and competition from existing players in the market. However, despite these challenges, start-ups have proven to be incredibly successful in a wide range of industries.

To succeed as a start-up, several key factors need to be in place. Firstly, a strong founding team is critical. Start-ups require a diverse range of skills and expertise to be successful, and the founding team should be made up of individuals who bring complementary skills to the table. Additionally, the founding team should be passionate about the product or service that they are creating and committed to seeing the venture through to success.

Another important factor in start-up success is access to capital. Start-ups require significant investment to get off the ground and may require ongoing funding to scale and grow. Venture capital firms, angel investors, and crowdfunding platforms are some of the sources of funding available to start-ups. To secure funding, start-ups need a strong pitch deck, a solid business plan, and a clear understanding of their market and competitors.

Start-ups need to execute their vision effectively. This requires a deep understanding of the target audience, the ability to identify and capitalize on emerging trends and technologies, and agility to pivot quickly in response to changing market conditions.

A start-up is a business venture that requires a significant amount of resources, investment, and risk-taking to succeed. However, start-ups also offer the potential for high rewards and the ability to disrupt existing markets or create entirely new ones. A strong founding team, access to capital, and effective execution are critical factors in start-up success.

Start-Up West Zone

India's Western Zone has emerged as a pivotal region in the country's startup landscape, characterized by dynamic entrepreneurial activity and significant contributions to economic development. This paper examines the critical role played by startups in fostering innovation and driving economic growth within the region. An ecosystem for startups is a complex network of interrelated elements that promote and encourage entrepreneurial activity. This notion spans a wide range of individuals and organisations. According to Audretsch and Belitski's research from 2020, these factors include access to finance, the availability of talent, supporting infrastructure, and a regulatory climate that is beneficial to business growth. According to Acs and Audretsch (2010), ecosystems of this kind are not only necessary for the establishment of new firms, but they are also necessary for the promotion of innovation, the development of job possibilities, and the advancement of the economy as a whole. It has been more apparent that the Western Zone of India, which includes states such as Maharashtra, Gujarat, and Goa, amongst others, has become a thriving centre for new businesses. Mumbai, Pune, and Ahmedabad are examples of cities that have become hubs for entrepreneurial activity. These cities have attracted both local and foreign businesspeople who are looking to capitalise on the region's capabilities in the areas of technology, finance, and manufacturing (NASSCOM,2023). There are a number of reasons why it is essential to have a solid understanding of the characteristics of the startup ecosystem in India's Western Zone. The first thing that it does is throw light on the specific issues and opportunities that are encountered by startups

in the area. These challenges and possibilities include the complexity of regulatory requirements, access to capital, market competitiveness, and talent acquisition. The second benefit is that it offers significant insights into the elements that lead to the success or failure of businesses. These insights may be useful for regulators, investors, and entrepreneurs alike. In conclusion, it highlights the need of cultivating a supporting environment by means of specific policies and programmes that are capable of nurturing and scaling startup businesses in a sustainable manner. By conducting an analysis of the present situation of startups in the Western Zone, identifying critical issues that are preventing their development, and giving strategic suggestions to better the startup ecosystem, the purpose of this study is to dive into these aspects. By doing so, it hopes to contribute to a more in-depth knowledge of how startups generate economic growth in India's Western Zone and to give insights that can be put into action in order to promote an environment that is favourable to entrepreneurship.

2. Review of Literature

Konsek-Ciechońska, Justyna (2019) The study reveals what a startup is and how it varies from traditional company models in its emphasis on developing technologies, risk-taking, and potential for above-average growth and profitability. Startup research is crucial. These establishments often close early. These firms fail due to high labour costs, geographical limits, supply shortages, financing concerns, and reputation and reputation management issues. Some firms fail, while others, like Google, Apple, and Microsoft, become industry leaders. This article aims to define Polish start-ups and highlight their challenges. Five years ago, Poland's startup model was significantly smaller. Today, governmental leaders and business founders realised their potential. In recent years, the Polish government has promoted innovation. The Polish Development Fund promotes long-term investment and economic growth, and the Act on Innovation was established. Four factors showed the importance of startup research: Start-up businesses were defined and described in the text. It then discussed startup life cycles, descriptively demonstrated Polish startups, and examined startup obstacles. The research technique includes literature, report, internet reviews, and descriptive statistics. A startup may convert Poland's cheap labour economy into one that can compete with global businesses via innovation and trained personnel. Experts may evaluate each phase of a company's lifespan and its specific challenges. Our research seeks a thorough startup theory.

Nurcahyo, Rahmat, Mohammad Ilhamsyah Akbar, and Djoko Sihono Gabriel. (2018) When compared to more established organisations, startup organisations exhibit unique traits indicative of their formative stages. Since the goal is to comprehend the startup's traits, the study approach is qualitative. Since the fashion startup industry in Indonesia is one of the country's most promising new ventures, it serves as the subject of this study. Startups in the Indonesian fashion industry must carefully consider their strategies. An examination of the tactics used by Indonesian fashion entrepreneurs is the primary goal of this article. When making decisions, the majority of companies rely on gut feelings. Since the fashion industry is still in its early stages of development, most entrepreneurs in this sector employ an intense approach. Startups in Indonesia's fashion industry often adopt two strategies: (1) to diversify their product offerings and (2) to aggressively penetrate existing markets.

Salamzadeh et al (2015) in the study on the life cycle and challenges of startup companies, the emergence and growth of startup companies, which are often founded on innovative ideas and face significant challenges, have been studied in management, organization, and entrepreneurship literature. However, a comprehensive understanding of this phenomenon remains elusive. The paper aims to provide a conceptual framework for startups and identify the challenges they typically encounter. By reviewing the startup life cycle and the difficulties they face, this paper offers concluding remarks on this important topic.

Gelderen et al (2006) conducted a study over a period of three years on 517 individuals who were in the process of establishing a business, in order to determine why some individuals succeed while others give up. Out of the 517 individuals, 195 successfully started their business while 115 abandoned their startup efforts. The study aimed to estimate the significance of various factors in predicting pre-startup success, based on Gartner's (Academy of Management Review) framework of new venture creation, which focuses on individual characteristics, organizational structure, environmental factors, and the process of starting a new venture. Logistic regression analyses were conducted for the overall sample as well as subgroups based on ambition and experience. The study found that perceived market risk was a significant predictor of whether an individual would start or abandon a startup effort.

Problem of the study

Startups in India's western zone have quickly become an important part of the country's innovation and economy. Despite the start-up ecosystem's impressive expansion, a thorough research is still needed to comprehend its unique characteristics. The purpose of this research is to examine the factors such as GDP and inflation role to enhance the start up numbers and motivate the innovators to establish the start up in west zone. In the west zone each states Gross Domestic Product keeps on increasing due to selected state governments for the study is increased infrastructures facilities, investment and technology development, the inflation rate is always fluctuation any have it is fully controlled by the government though these two factor performance is often fluctuating and it cause for the development of start-up in the selected states. The main intentions to analyze the study, all the selected states the startup growth performance will steadily increase whereas in 2022 the total number of start up in each states is drastically decrease. Hence the researcher has attempted to analyze GDP and inflation economic factors to establish a start up in the west zone.

3. Objective of the Study

1. To analyze the influence of Gross Domestic product (GDP) in Startup Growth in the west zone India
2. To investigate how inflation rates impact the growth and dynamics of startups in the west zone in India

4. Methodology

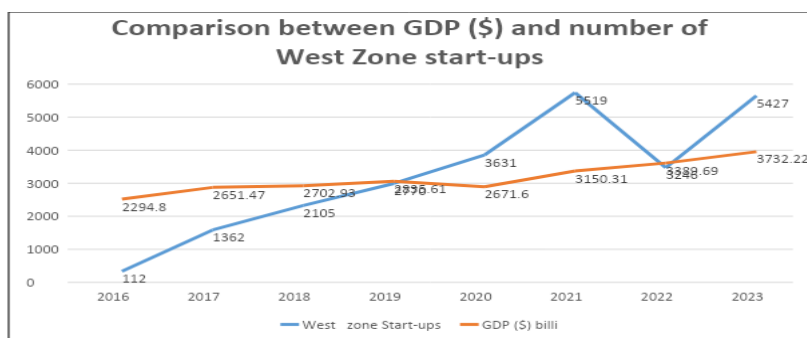
The research methodology adopted for studying the West zone states (including Maharashtra, Gujarat, Goa, Rajasthan, and others) was structured to systematically collect, analyze, and interpret data from 2016 to 2023. Utilizing desk research techniques, the study primarily relied on secondary data sourced from government publications, industry reports, and startup promotion agencies.

Key variables such as inflation rates, startup registrations, sectoral distribution of startups, and economic indicators like GDP growth and unemployment rates were meticulously gathered and analyzed. Regression analysis was employed to forecast future trends and growth patterns of startups in the West zone states from 2023 to 2027. This statistical approach enabled the researcher to model relationships between inflation rates and startup activities, accounting for regional economic variations and sector-specific dynamics prevalent in each state.

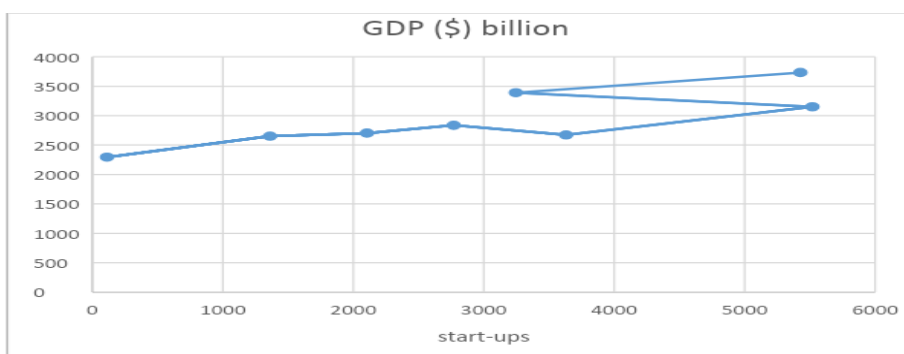
To complement quantitative findings, qualitative insights were integrated through case studies or interviews with stakeholders within the startup ecosystem. This qualitative approach provided contextual understanding and validation of the quantitative results, offering deeper insights into the factors influencing startup growth across the West zone states.

Data analysis and Interpretation comparison between GDP (\$) and number of west zone Start-ups

Year	2016	2017	2018	2019	2020	2021	2022	2023
West zone Start-ups	112	1362	2105	2770	3631	5519	3246	5427
GDP (\$) billi	2294.8	2651.47	2702.93	2835.61	2671.6	3150.31	3388.69	3732.22



	West zone Start-ups	GDP (\$) billion
West zone Start-ups	1	
GDP (\$) billion	0.815175	1

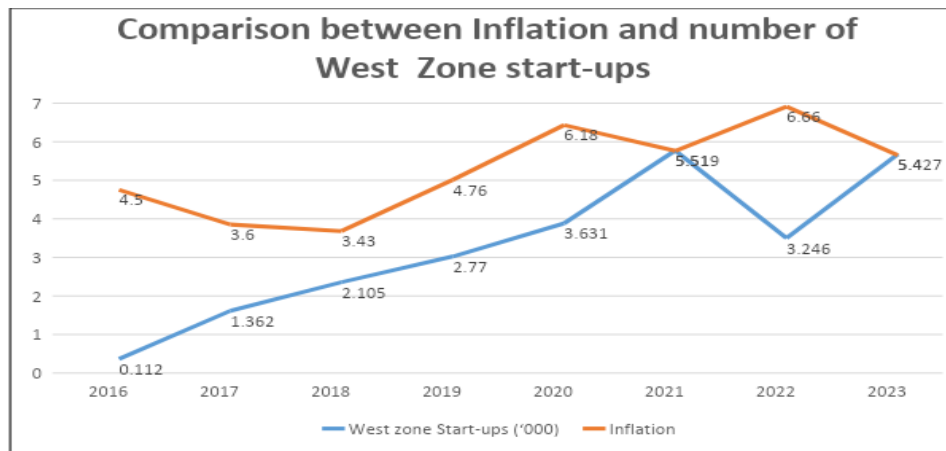


Interpretation

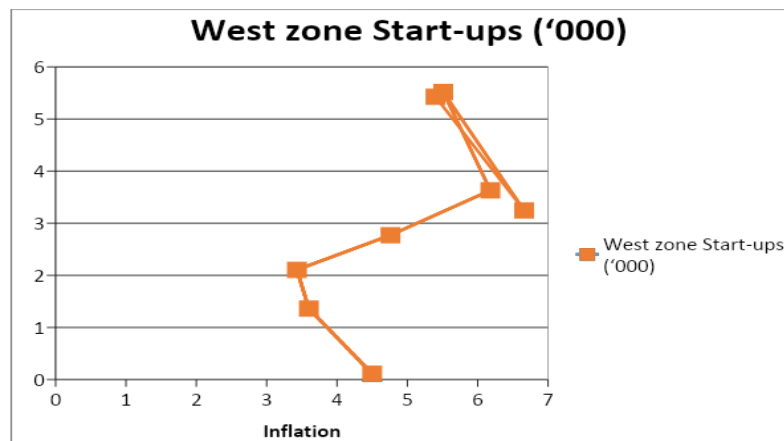
The correlation between GDP and number of start-ups in the West zone is 0.815, which indicates that the GDP is found to vary positively with the number of start-ups in the West zone, except for the deviation from the trend during the year 2022. The association between the number of West-zone start-ups and GDP is strong, which could be due to the positive effect of the start-ups on the national GDP. The reason for low number of start-ups in 2022 is attributed to comparatively poor macro-economic climate due to international political tensions. The increasing trend indicates that the start-ups in the West zone contribute positively to the GDP.

Comparison between inflation and number of west zone Start-ups

Year	2016	2017	2018	2019	2020	2021	2022	2023
West zone Start-ups ('000)	0.112	1.362	2.105	2.770	3.631	5.519	3.246	5.427
Inflation	4.5	3.6	3.43	4.76	6.18	5.51	6.66	5.4



	West zone Start-ups ('000)	Inflation
West zone Start-ups ('000)	1	
Inflation	0.569272	1



Interpretation

The correlation between inflation and West zone start-ups is moderately positive i.e. 0.569 (approx. 0.6). The inflation results in a low real income, even though the nominal income is the same. This results in a lack of amounts for funding start-ups to some extent. As far as the West zone is concerned, this effect is indicated by a moderately positive correlation of 0.6. Though high inflation results generally in a lack of funding, a 2% value of inflation is considered to have a positive effect on the economy. It can be seen that in the given period considered here, the inflation is slightly high in some years, even though the number of start-ups increased during these years, due to other factors contributing to positive effect on the national economy like improved technologies and growth. The inflation has touched the highest value in 2022 in the given period, that has led to the drastic reduction in the number of start-ups in the West zone in the year and then the number of start-ups in the West zone has increased again in the next year, due to reduced inflation compared to 2022.

5. Conclusion

The study examines Western India's startup scene. Startups create employment, foster innovation, and strengthen the local economy. However, they must overcome complex rules, finance constraints, and market scalability issues to succeed. According to research, Western Zone companies gain from easy access to talented personnel, a welcoming business climate, and fresh market potential. Comparing regional trends to national trends shows the region's strengths and weaknesses, emphasizing the need for specialized policies. In order to support startups, politicians should invest in vital infrastructure, streamline regulatory frameworks, and provide access to venture capital and government initiatives. These steps are essential

to maximize the Western Zone's entrepreneurial potential, boost its national and global competitiveness, and boost economic development.

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