

## Addressing the Issues and Problems of Start-ups: A study exploring Incubation Support

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**Abstract:** - Start-ups have emerged as a key driver in economic growth and creation of job. Consequently, the policy makers have worked on the development of the ecosystem to deliver necessary support to these budding innovation driven start-ups. The ecosystem has to build essential strategies and system which could help sustain these start-ups. The initial stage of building a start-up is expected to meet multiple challenges. Start-ups get registered with incubation centres with the objective of getting relevant support and in turn Incubators help in growing and developing start-ups especially at their early stage. Present study explores perception of the start-ups towards the issues and problems resolved through incubation support. Study has been conducted with sample of 100 start-ups registered with various incubation centres in Rajasthan. The present paper adds value to the existing literature on start-ups issues and challenges as well as incubation support. One-Way ANOVA has been used to find out the variance in the perception of the start-ups in regard to the issues and problems dealt by the incubation services on the basis of stage of start-up and the sector of the start-up. The majority of the respondents' perception highlights that the major issues and problems resolved by the incubation services are the availability of the low cost space and the business counselling services.

**Keywords:** Incubation centre, Incubation Services, Challenges, Start-ups

### Introduction

India has 2<sup>nd</sup> largest start-up ecosystem in the world. In last few years no. of start-ups is increasing at good pace. Start-ups play a significant role in developing & promoting Indian economy. Government of India is also formulating various policies & schemes for promoting start-ups. According to Department of Promotion of Industry and Internal Trade (DPIIT) "A start-up is a company which does not exceed 10 years of operation and

existence from the date of incorporation and annual turnover is also not exceeding 100 crores in any financial year since incorporation. The company is also private limited, registered partnership firm or a limited liability partnership. The company is not formed by splitting up or reconstructing existing business and the start-up should work towards development or improvement of a product, process or service and have scalable business model with high capability of creating wealth and employment.

**Table: 1**  
**DPIIT Recognised Start-ups in India & Rajasthan**

S. No.	Stages	DPIIT Recognised Start-ups in India	DPIIT Recognised Start-ups in Rajasthan
1	Ideation	5462	150
2	Validation	12304	331
3	Early Traction	12221	324
4	Scaling	3986	124
	<b>Total</b>	<b>33973</b>	<b>929</b>

Source: - DPIIT (02-09-2020)

Incubators are important part of start-up ecosystem. Incubators are organizations geared towards speeding up the growth and success of start-ups and early stage companies. Incubators provide a good path to capital from

angel investors, government organizations, economic-development coalitions, venture capitalists and other investors. As early stage hand holders, incubators act as an essential part of the start-up ecosystem. They act as a

catalyst for regional as well as national economic development. There are different types of incubators: academic institutions; non-profit development corporations; for-profit development ventures; venture capital firms, and combinations of the above. According to Atal Innovation Mission 'Business incubators are institutions or organisation that support entrepreneurs in developing their businesses at initial stages. Incubation is typically done by institutions which have experience in the business and technology world. Incubation support includes different facilities: technological facilities and advices, initial growth funds, network & linkages, co-working spaces, lab facilities, mentoring and advisory support'.

On the basis of different researches, majorly incubators provide different services

- Accounting, Tax and Financial Services
- Developing Business Plan
- Administrative Services
- Funding facility
- Increasing Entrepreneurial Skills
- Legal Services
- Advertising Promotional Plan
- Business Counseling & Mentoring
- Co-working space
- Library Services
- Conference Room
- Cafeteria
- Infrastructure & office equipment
- Networking Support with customer,

suppliers and investors

- Designing Brochures, Website and

business card

- Transformation Plan into Product

Majorly incubators provide these facilities to start-ups and help them in solve their problems. Due to lack of proper support & knowledge, failure rates of start-ups are also very high. With the help of different support provided by incubator, start-ups overcome their issues & challenges at some extent. The study focuses on problem

faced by start-ups: - developing business problem, marketing assistance, business counselling, space, affordable infrastructure & office equipment, technical issues, funding problem and early stage operational cost. The present examine the start-ups problem resolved after registered in incubator.

### Review of Literature

**Radha, R., & Ilankumaran, G. (2018)** examines the issues, challenges faced by Indian start-ups and discusses opportunities that provided to the current ecosystem. Financial resources, revenue generation, team member, supporting infrastructure, lack of attention, exceed customer expectations, tenacity of founders, regulations, growth decelerators, lack of mentorship, lack of a good branding strategy and replicating Silicon Valley are the major issues & challenges faced by start-ups. The author discusses the govt initiative to assist start-ups: start-up India, MUDRA Yojna, SETU Fund, E-Biz Portal and royalty tax. **Sharma, A., Shukla, B., & Joshi, M. (2014)** studied the role and impact of business incubators on start-ups success. This structured interview is conducted with the managers of different incubators, cofounders of start-ups who have raised capital. The author studied the major services provided by incubator: helps in business basics, conference room, marketing assistance, shared administrative services, networking activities, accounting & financial management, helps in accessing commercial loan, links to higher education institutions, telephone system and internet access. It can be concluded that there is a positive impact of business incubator on start-ups success and contributing towards economic growth of India. **Talekar, S. R. A (2020)** studied the challenges faced by start-ups in Karwar Taluk in Karnataka. The data is collected from 50 start-ups. The author studied the marketing & financial challenges: competition from local vendors, branding of the firm, unorganised & fragmented markets, choosing right social media platform, unique ideas to attract customer's, raising capital, pricing of services, payment related challenges, cash flow management and budget

allocation challenges in the study. The result reveals that majority of the respondents are facing raising capital & competition from local vendors. **Sousa, J., Meneses, R., Ribeiro, H., & Alves, S. R. (2018)** descriptively evaluate the expectations of start-ups from incubator and what the incubator offers for start-ups development. The present study also examines whether such expectations match with the actual services offered by incubator. Author studies the rental space, financing, business assistance services, sharing services & resources, notoriety and credibility, share capital services of incubator. The result reveals that there is a gap between expected and perceived services. **Luke's, M., Longo, M. C., & Zouhar, J. (2019)** examines the effect of business incubators on the start-ups with reference to sales revenues and job creation. Sample of the study is 2,544 innovative Italian start-ups and 606 start-ups are incubated. The regression result reveals that significant negative effect of incubator on start-ups sales revenues and later the initially negative effect of incubation on sales revenues turn into a positive effect in the long-term. It is also found that their no significant effect of incubation on job creation. We also found that. The author also examines effects of incubator characteristics, in terms of ownership, certification, and size on the growth of tenant start-ups, but it is found that these effects are negligible.

### Relevance of the study

At initial stage, start-ups are facing huge problems and to overcome these problems start-ups get themselves registered with incubators and are availing various services. Incubation centres are formed with an objective to provide services to start-ups which help them to develop, scale and transform. The present study is relevance in present day time as there are large number of incubation centres being established. The study explores and finds answer to where the start-ups registered under various incubation centres do find their problems and issues being resolved. The study is relevant as it also highlights the major issues and

challenges of start-ups and the perception of the start-ups in relation to incubation services. There is limited research & literature available on the issue and hence the study would significantly push towards analysing the possible solutions if required. The study will provide base to further researches for start-ups and incubation centres.

**Objectives:** The following are the specific objectives of the study-

- 1) To explore the various issues and problems faced by start-ups.
- 2) To study the role of incubation centres in resolving start-ups problem.
- 3) To examine the variance in the perception of the start-ups about the problems resolved by the incubation services.

### Hypothesis

**H<sub>01</sub>** There is no significant variance in the perception of the start-ups on problem resolved on the basis of sector of start-ups.

**H<sub>02</sub>** There is no significant variance in the perception of the start-ups on problem resolved on the basis of stages of start-ups.

### Research Methodology

**Research Design:** The present study is exploratory and descriptive in nature. The study explores the problems faced by start-ups and if resolved after being registered with incubation centres. The variables of the study include the Year of establishment, sectors of start-up and stages of start-ups, Solved issues and problems of start-ups.

**Sampling Design:** The study focuses on the incubation in Rajasthan. Hence, the universe of the study is start-ups registered in the incubation centres in Rajasthan. The data has been collected from 100 start-ups from Rajasthan registered with various incubators.

**Data Collection tools:** The primary data has been collected from start-ups registered with incubators in Rajasthan. Structured questionnaire has been designed to collect the respondents from start-ups. The questionnaire

consists of two sections: First section consists statements regarding demographic profile of start-ups and second section consists statements regarding start-ups issues and challenges as well as if resolved through incubation services.

*Data Analysis tools:* The descriptive statistics is done through frequencies and inferential statistics is done through chi-square and one-way ANOVA. The reliability of the item scale has been measured using Cronbach alpha, which is .92

## Discussion and Results

**Table: 2**  
**Demographic Profile**

Year of Establishment	Frequency	Sectors of Start-up	Frequency	Stages of Start-ups	Frequency
2013	2	IT Sector Education CRM Agriculture Health Care	40 20 10 20 10	Ideation Validation Early Traction Scaling	21 35 25 19
2014	6				
2015	6				
2016	9				
2017	20				
2018	17				
2019	34				
2020	6				
<b>Total</b>	<b>100</b>		<b>100</b>		<b>100</b>

(Source: Primary Data)

The table 2 shows the frequencies of year of establishment of start-ups, sector and stages of start-ups. It shows that out of all respondents in 2013, 2 start-ups are established, in 2014 & 2015, 6 start-ups are established in each year, in 2016, 9 start-ups are established, majority of the start-ups (20) are established in 2017, in 2018, 17 start-ups are established, in 2019, 34 start-ups are established and in 2020, 6 start-ups are

established. Out of all respondents, majority of the start-ups (40) are from IT sector, 20 start-ups are from education sector, 10 start-ups are from CRM sector, 20 start-ups are from agriculture sector and 10 start-ups are from health care sector. Out of all respondents, 21 start-ups are from ideation stage, 35 start-ups are from validation stage, 25 start-ups are from early traction stage and 19 start-ups are from scaling stage.

**Table: 3**  
**Rank analysis of Start-ups Issues Solved through Incubation Support**

Issues Resolved	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total	Weighted Average	Rank
Low cost Space	3	8	23	43	23	375	25	1
Support for Business Counselling	3	5	23	56	13	371	24.73	2
Availability of office equipment	5	10	25	34	26	366	24.4	3
Support for Marketing	6	5	24	54	11	359	23.93	4.5
Awareness of Technological Updates	5	9	28	38	20	359	23.93	4.5
Business Plan Development	4	9	21	57	9	358	23.86	6
Initial Operational cost	6	8	29	39	18	355	23.66	7
Funding Issues	10	4	33	37	16	345	23	8

(Source: Primary Data)

The table 3 shows the result of the rank analysis. The respondents were asked to rank in the order the issues solved through incubation support. The space at less cost ranked first, business counselling support ranked second, infrastructure & office equipment ranked third, information regarding technological updates & marketing support both ranked fourth, developing business plan ranked sixth, early stage operational cost

ranked seventh and funding problem ranked eighth. Hence the most solved problem of start-ups is space at less cost whereas as per the respondents funding issues are least solved through incubation support.

**H<sub>01</sub>** There is no significant variance in the perception of the start-ups on problem resolved on the basis of sector of start-ups.

**Table: 4**  
**One-Way ANOVA**

		Sum of Squares	df	Mean Square	F	Sig.
Business Plan Development	Between Groups	.834	3	.278	.319	<b>.811</b>
	Within Groups	83.526	96	.870		
	Total	84.360	99			
Support for Marketing	Between Groups	1.038	3	.346	.364	<b>.779</b>
	Within Groups	91.152	96	.950		
	Total	92.190	99			
Support for Business Counselling	Between Groups	3.396	3	1.132	1.526	<b>.213</b>
	Within Groups	71.194	96	.742		
	Total	74.590	99			
Low Cost Space	Between Groups	3.235	3	1.078	1.084	<b>.360</b>
	Within Groups	95.515	96	.995		
	Total	98.750	99			
Availability of office equipment	Between Groups	2.870	3	.957	.756	<b>.522</b>
	Within Groups	121.570	96	1.266		
	Total	124.440	99			
Awareness of Technological Updates	Between Groups	.823	3	.274	.237	<b>.871</b>
	Within Groups	111.367	96	1.160		
	Total	112.190	99			
Funding Issue	Between Groups	4.115	3	1.372	1.092	<b>.357</b>
	Within Groups	120.635	96	1.257		
	Total	124.750	99			
Initial Operational cost	Between Groups	.531	3	.177	.151	<b>.929</b>
	Within Groups	112.219	96	1.169		
	Total	112.750	99			

(Source: Primary data)

The above table 4 shows the result of One-Way ANOVA. The sig. value of One-Way ANOVA for all the incubation support is greater than 0.05. The null hypothesis The significant value of business plan development (.811), support for marketing (.779), support for business counselling (.213), low cost space (.360), availability of office equipment (.522), awareness of technological updates (.871), funding issue (.357) and significant value of initial operational cost is .929. There from the above results it can be concluded that is no

significant variance in the perception of the start-ups on problem solved through incubation support on the basis of stages.

**H<sub>02</sub>** There is no significant variance in the perception of the start-ups on problem resolved on the basis of stages of start-ups.

**Table: 5**  
**One-Way ANOVA**

		Sum of Squares	df	Mean Square	F	Sig.
Business Plan Development	Between Groups	2.660	4	.665	.773	<b>.545</b>
	Within Groups	81.700	95	.860		
	Total	84.360	99			
Support for Marketing	Between Groups	2.340	4	.585	.619	<b>.650</b>
	Within Groups	89.850	95	.946		
	Total	92.190	99			
Support for Business Counselling	Between Groups	2.590	4	.648	.854	<b>.494</b>
	Within Groups	72.000	95	.758		
	Total	74.590	99			
Low Cost Space	Between Groups	14.550	4	3.637	4.104	<b>.004</b>
	Within Groups	84.200	95	.886		
	Total	98.750	99			
Availability of office equipment	Between Groups	16.915	4	4.229	3.736	<b>.007</b>
	Within Groups	107.525	95	1.132		
	Total	124.440	99			
Awareness of Technological Updates	Between Groups	3.365	4	.841	.734	<b>.571</b>
	Within Groups	108.825	95	1.146		
	Total	112.190	99			
Funding Issue	Between Groups	2.475	4	.619	.481	<b>.750</b>
	Within Groups	122.275	95	1.287		
	Total	124.750	99			
Initial Operational cost	Between Groups	1.925	4	.481	.413	<b>.799</b>
	Within Groups	110.825	95	1.167		
	Total	112.750	99			

(Source: Primary data)

The above table 5 shows the result of One-Way ANOVA. The sig. value of One-Way ANOVA is greater than 0.05 in incubation services. The significant value of business plan development is (.545), support for marketing (.650), support for business counselling (.494), awareness of technological updates (.571), funding issue (.750) and significant value of initial operational cost is .799. Hence we accept the null hypothesis. However, for low cost space and availability of office equipment p value is .004 and (.007 respectively. Hence, we reject the null hypothesis. Hence, it can be concluded that there is no significant variance in the perception of the start-ups problem resolved from incubation services on the basis of sectors. Conversely, in case of low cost space and availability of office equipment significant difference in the perception of the start

### Conclusion

Incubation support helps start-ups in solving various issues and challenges as start-ups faced by the start-ups at their initial stage. Majority of the respondents believe

that low space at less cost problem is highly solved problem by incubation support and funding issue solved least by incubation support. It can be concluded from the result that there is variance in the opinion of the start-ups is found in relation to the issues resolved by the incubator centres support irrespective of the sector of start-ups except low cost space and availability of office equipment. But variance is found for low space & availability of office equipment on the basis of sector of start-ups. So it can be concluded that low cost space and availability of office equipment issue is resolved of start-ups from various sectors through incubation support.

**Recommendations:** - Start-ups registered themselves in incubators for availing various incubation supports and to overcome issue & challenges faced by them especially in initial stage. The proper incubation support helps start-ups to grow fast and reduce the chances of failure. Funding and initial operational cost is very important for start-ups to gear up their business. As rank analysis result shows that funding issue and initial operational cost are ranked least for solved problem by incubation

support. So incubators should focus on improving the funding and initial operational cost issues of start-ups. Along with that incubator centres can take feedback from start-ups which will help incubators in judging start-ups issues & problems for their sustainability in the long run.

### Scope of Future Research

The present research is limited to the small sample to only the state of Rajasthan. The future study can be conducted on large sample size registered with various incubators and availing different services. Comparisons can be drawn between the incubation centres and along with that a study on start-ups registered in different incubation centres in different states can also be conducted.

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