

# **ENTREPRENEURSHIP AND REASONS FOR ENTREPRENEURIAL FAILURE**

**Shobha**

Student, M.Com,  
Sanatan Dharma College (Lahore), Ambala Cantt  
Email ID: shobhalalit15@gmail.com

**Kajal Nagpal**

Student, M.Com,  
Sanatan Dharma College (Lahore), Ambala Cantt  
Email ID: nagpalkajal2227@gmail.com

## **ABSTRACT**

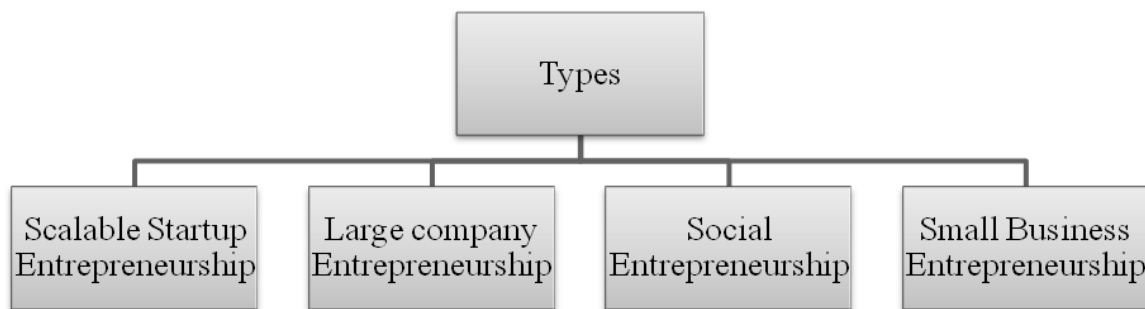
*Entrepreneurship has become a hot topic in the current scenario. Urge to be self employed has lead to the emergence of number of entrepreneurs every year. It is one of the ways to contribute towards the sustainable growth and economic development of the country by identifying innovative ideas, fuelling economic growth, dispersal of economic power etc. Every year number of entrepreneurs comes up with their new and innovative ideas, some are successful and some failed badly. There are number of initiatives started by the government to support and boost the entrepreneurship in the country. But despite these support and efforts some entrepreneurs failed. The present study is an attempt to study various reasons for the failure of various start-ups taken up by the entrepreneurs in India with help of some failed start-ups like Stayzilla, Taskbob, Finomena, Turant Delivery, HotelsAroundYou and Roder. Despite their innovative ideas they failed to make their start-up a success. It is found that main reasons for failure of start-ups are inability of entrepreneurs to raise funds, lack of focus, go errors, poor marketing strategies, inability to survive competition, increasing costs and falling revenues. It is suggested that these reasons for failure should taken as challenges to covert the innovative idea into reality.*

## **INTRODUCTION**

Entrepreneurship is an innovative process in which entrepreneurs come with unique and innovative ideas to convert them into successful reality. Entrepreneurship refers to sudden discovery in which entrepreneur discover new ideas and innovation to develop, organise and manage the business to face the current hardships in order to reap future benefits in form of high profits and successful business expansion. This is done by combining and optimally utilising the important elements i.e. men, money, material, machinery and

management. Merely starting a business is not an entrepreneurship there must be an out of box idea and risk taking in terms of idea selection and investing funds. Therefore, entrepreneurship is a risk taking activity, not risk avoiding. It is the attitude and ability of entrepreneur which decide the fortune of business.

### Types of Entrepreneurship



**Scalable Start-up Entrepreneurship:** Entrepreneurs believe that their idea has a capability to change the world. Venture capitalists are the major source of funding. In this percentage of entrepreneurs is small but due to the outside return it attracts risk capital. Example: Facebook, Instagram etc.

**Large Company Entrepreneurship:** They aim at developing the new products in order to meet the changing needs of the consumer. They offer new products that are related to their core product through innovation. They do this by acquiring the innovative companies. Example: Google, Microsoft, Samsung

**Social Entrepreneurship:** Social entrepreneurship is the one where product and services are created in order to solve the social problems and needs. Their aim is to make the world a better place, not to earn profits. They may be for profit, non-profit or hybrid.

**Small Business Entrepreneurship:** This type of entrepreneurship is undertaken to support the family and make a living. They are funded by friends, family and small business loans instead of venture capital. Example: Grocery stores, Hair Dressers, Carpenters, electricians etc.

Entrepreneurship becomes the most important topic now days. Success rate of the entrepreneur is very less in India as 90% of the start-ups failed within five years of their launch. This raised a need to study the various reasons for failure of start-ups. So the present study is focussed on the reasons of failure of different start-ups.

## LITERATURE REVIEW

**Bailetti (2012)** focused on Technology Entrepreneurship and examined the rapid progress in the volume and breadth of research related to it. It explained about entrepreneurship and differentiating aspects of it. He identified the themes that dominate the technology entrepreneurship literature and differentiating aspects relative to economics, entrepreneurship and management.

**Gibbs et al., (2012)** researched on green entrepreneurship and informed about the rapid increase in Green Entrepreneurship and analysed it by conducting semi-structured interviews to investigate green entrepreneurship with green building companies and policy makers.

**Malunga et al., (2014)** focused on social entrepreneurship. The paper described about social entrepreneurship, types of social entrepreneurs and the role of social entrepreneurs in community development. It also emphasized on the problems faced by social entrepreneurs.

**Badzinska (2016)** identified the role of factors influencing the development of technological entrepreneurship. The first part was of descriptive character and second part was empirical. It combined the elements of academic and intellectual entrepreneurship with entrepreneurship of commercial organisations.

**Enginoglu et al., (2016)** emphasized on creating the corporate strategy for achieving competitive advantage. It explained integration of corporate entrepreneurship and competitive advantage and explained various models.

**Atsan (2016)** examined the importance of causes of business failure and outcomes result from the failure experience of entrepreneurs. Face to face interviews were held with 13 entrepreneurs to collect the data who close their business after operating business for almost 3 years. It studied about the factors that lead to entrepreneurial failure.

**Verma (2017)** explored positive and negative impact of entrepreneurship on the development of India. He defined entrepreneurship as an important element that lead to the development of economy. The main aim behind it was to analyze the contributions of entrepreneurship in India development.

**Cornelia et al., (2018)** analyzed the scientific literature on entrepreneurship and its influences on regional development and informed about basic meaning of entrepreneurship, its characteristics and relationship between entrepreneurship and regional development.

## OBJECTIVES OF THE STUDY

- To understand the concept of entrepreneurship

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- To study the role of entrepreneurship in economic development
- To study the reasons for the failure of entrepreneurship in light of some failed start-ups like Stayzilla, Turant Delivery, Taskbob, Finomena, Hotels Around You and Roder

## **ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT**

In current scenario entrepreneurship plays an important role in the development of economy. Entrepreneurship is the motivating force which leads to development of nation. It not only introduces innovative venture but also contributes to the economic development of the country by employment generation, capital formation, balanced regional development, preventing industrial slums etc. It is not only limited to one sector i.e. industrial sector but also covers all other sectors like agricultural sector, service sector etc. Following is the role of entrepreneurship in the economic development of the country:

- Capital Formation
- Employment opportunities
- Balanced Regional Development
- Reduce Concentration of Economic power
- Increase standard of living
- Wealth creation and distribution
- Social stability
- Optimum utilisation of natural resources
- Contributes to Gross Domestic Product and per capita income
- Increases exports
- Promote self reliance
- Increase productivity

## **FAILED STARTUPS IN INDIA**

Following are some of the start-ups that have started in India but failed to mark their success in the market:

### **Stayzilla**

Stayzilla startup was the hotel aggregator launched in 2005 headquartered at Bengaluru. Yogendrasupal, Rupal Yogendra and sachitsinghi were the founders of stayzilla. It was launched in form of online travel agency as inasra which was later named stayzilla in 2010. It raised \$33.5 million for funding the start-up. But in 2017 the start up failed. It

had incurred losses of \$14.2 million against \$2 million revenues in year 2016. The major reasons for the failure were mismatch between demand and supply, lack of focus, low revenues, high cost, lack of ready market, competition from Airbnb, difficulty in expansion, wrong strategy of no discount to attract customers for getting bookings, inability to raise additional funds and some legal issues as the CEO was accused in a fraud.

### **Taskbob**

Taskbob was launched in 2015 with its headquarters in Mumbai. It was founded by Aseem Khare, Abhiroop Medhekar, Ajay Bhatt, Amit Chahalia for providing varied services to households at their doorsteps like electrician, driver on demand, pest control services, beauty services etc. with aim to remove three problems of delayed delivery, price transparency and poor quality. It raised funds of \$5.7 million from Orios Venture Partners and IvyCap Ventures. But in 2017 Taskbob announced its shut down as it was unable to achieve profitability due low margins from such business, inability to properly utilise the funds and also tough competition from Urban clap.

### **Finomena**

Finomena, a fintechstartup, was founded by Riddhi Mittal and Abhishek Garg in 2015 with its headquarters in Bengaluru. The amount of funding was undisclosed. It was started for providing small tickets loans to students and professionals for buying electronic items like laptops, mobile phones etc. through easy instalments option. In 2017 finomena shut its operations. The main reason for the failure was the wrong idea selection. As banks and other financial institutions were providing the same services. Others reasons for the failure of Finomena were tough competition from CashCare, Capital Float, Zest Money, and Lendingkart, lack of trustability, inability to raise further funds etc. Post demonetisation scenario was also the cause of such failure.

### **Roder**

Roder, an intercity Cab aggregator, was launched in 2014 with its headquarters in Gurugram. It was founded by Abhishek Negi, Ashish Rajput and Siddhant Matre. It raised its seed capital of \$350k from Unicorn India Ventures. Roder which was earlier known as Insta Cabs provided intercity cab services at half the fare than market fares. In 2017 it failed due to unwillingness of inventors to invest in the business as it was the innovative idea and was facing tough competition from big players like Uber and Ola. Increasing consumer costs, presence of big market players, huge investment, time

consuming process to build drivers system, low repeat rate for outstation travel were the reasons for shut down of the startup.

### **Turant Delivery**

Turant Delivery, an intra city logistics company, was launched in 2015 with its headquarters in Delhi. Satish Gupta, Ankur Majumdar, Siddharth Arora were the founders of Turant Delivery. It had come up with an idea to provide online platform to its customers for fulfilling their logistics needs on contractual basis or on demand basis. It was also engaged in providing the vendors with inventory optimisation. It was the platform that aggregates all vehicles like vans, mini trucks, LCVs etc. The services were divided into four parts namely relocation, customer deliveries, warehouse deliveries, electronics. In 2016 it ended its operations as the logistics business requires huge working capital and it was unable to raise funds for continuing and managing their operations.

### **Hotels Around You**

Hotels Around You was the startup launched by Mohsin Dingankar, Animesh Choudhary, Harsha Nallur in 2013 with its headquarters in Mumbai. It was a hotel booking platform that provided the customers with the best price deal and limited location based hotels. But in 2017 the startup failed and was shut down leading to loss to economic growth. It failed because of lack of proper outlining and inability to raise fresh capital, lack in targeting the specific segments, poor marketing strategy and not analysing the consumer behaviour.

## **REASONS FOR ENTREPRENEURIAL FAILURE**

There are number of start-ups that came across every year but all of them are not successful in establishing themselves in the market and have failed badly due to number of reasons. The above start-ups in India have failed due to number of reasons despite the new idea. Following are the main reasons that are responsible for entrepreneurial failure:

- Lack of proactive attitude
- Lack of managerial skills
- Lack of vision
- Wrong business idea selection
- Improper cash management
- Inefficient planning
- Lack of adaptability to changing environment
- Inability to raise funds

- Increasing costs and increasing revenues
- Improper marketing strategy
- Inability to tackle competition
- Legal issues
- Wrong selection of target market

## **SUGGESTIONS AND CONCLUSION**

Entrepreneurship has evolved over a period of time and is the major driver for industrial and economic growth of the country. For promoting entrepreneurship governments has undertaken number of initiatives to provide technical assistance, financial assistance, marketing assistance etc. It is concluded that entrepreneurship plays a very important role in development of country therefore entrepreneurs should take every step to make their start-ups a great success. Many start-ups are failing in India despite of government initiatives. It is revealed that lack of proper funds, lack of focus, increasing costs etc. are the main reasons of such failure. In case of above mentioned failed start-ups it is found that they were more dependent on angel investors and venture capital by various private partners. It is suggested that in addition to private investors, entrepreneur should resort to government schemes and initiatives, select the target market after careful analysis, select the feasible idea, resort to expert help, optimally utilise funds, formulate effective marketing strategy etc.

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