

**PROBLEMS AND PROSPECTS OF START-UPS IN  
KERALA - A STUDY WITH SPECIAL REFERENCE TO  
COCHIN STARTUP VILLAGE**

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**Abstract**

**Background**

Start-up's and Start-up Villages are playing a prominent role in the field of value creation and value addition where the villages act as an Incubator- Facilitating, Generating, Developing and Promoting of Entrepreneurship Culture .A Nation where the youth comprises of major composition, it is the next generation for the world .If proper basements are provided they could tend to create high tech value added product for the upcoming global consumers.

**Aim**

The current study has been undertaken to know the prospects and problems of Start-ups in Kerala with special reference to Cochin Start-up village.

**Materials and Methods**

For the purpose of study,30 respondents were selected as samples by adopting convenience sampling method. Analysis was done via statistical software 17.0.independent sample t -test and rank test were used .

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## Results

The data analysis revealed the majority of the start-ups were incorporated by male dominance showing high gender disparity, incorporations were done in corporate form of which majority were registered to female. The majority of the start-ups were engaged in B2B business, with education backing from science discipline, it took nearly one year for companies to come up with a feasible product market fit, though modern source of favourable funding schemes were available. Start-ups mainly depended on own fund, start-ups gave prominent importance to service they deal with and the major problem faced by the start-ups are lack of Return Over Time and Fund Deployed, Poor Mentoring, Poor Product Market Fit with least problems with funding and Infrastructure.

## Conclusion

“Service” was the main motto behind the start-ups as it was ranked as first followed by Economic gain, Social progress, and National importance and prefers least for Ecological aspect. The major problem faced by the start-ups are lack of Return Over Time and Fund Deployed, Poor Mentoring, Poor Product Market Fit with least problems with funding and Infrastructure.

**Keywords:** Start-up, Start-up Village, Prospects, Product Market Fit, Mentoring, Angel funding, Crowd Funding, Seed Capital.

**Manuscript****Introduction**

India has become the next big market for those who keep track on tabs on the global tech and IT revolution. “Efforts played a great role in the emergence of incubators playing vital role in creation of Start Up, utility service and employment generation adding to national GDP , on which global business giants are eagerly waiting to invest via Crowd funding, Angle funding ,Seed capital”<sup>1</sup>. These Incubators are Start-Up villages which play a vital role in hosting a platform for Start Ups in Kochi, Kerala, India. Start-up Village is a not-for-profit Business incubator based in Kochi Started its operations by April 2012, the organisation's aim to launch 1,000 Tech Start-Ups over the next ten years and start the search for the next billion-dollar Indian company. It focuses primarily on student Start-Ups and Telecom innovation. It is India's first incubator that is funded jointly by the public and private sector<sup>2</sup>.

Start-up Village holds a community gathering every month, where would-be entrepreneurs can connect with investors, technology innovators and famous businesspersons. Interested founders are asked to come for an open house session with prototype that is held every Saturday at Start-up Village's Kochi campus to connect with the team and brainstorm with other like-minded people<sup>3</sup>.

The newer start-ups in Bangalore or Kerala are eying products not services. Many bring ideas catering to the booming market of domestic online shoppers, like Flipkart, the nation's most heavily financed e-commerce company.

Years old Start-up Village is able to provide entrepreneurs with workspace at rents about a tenth of anywhere else in Kochi, computers, a high-speed Internet connectivity, legal and IPS(intellectual property services) and access to high-profile investors. It is expected about creating an ecosystem for entrepreneurs in his home-state, Kerala. The Village team says it chose Kerala because costs are lower than New Delhi or Mumbai and it has 150 engineering colleges that can provide start-up enthusiasts<sup>4</sup>.

Report published (Feb 2015)<sup>5</sup> by Cochin Start Up Village titling “Start-up Village – 1,000 day impact” –unveils, launched with an ambitious agenda to create an ecosystem that would fire up entrepreneurial aspirations of youngsters in Kerala, Since its inception on April 15, 2012 until December 2014, the internet-mobile incubator received a total of 6,491 application requests. A total of 960 (58 physical and 902 virtual start-ups) were incubated, of which 533 are currently active. Of the 58 physical startups, 56 are currently active and two failed. Of the 902 virtual startups, 477 are active and 355 inactive while 70 were aborted.

The study conducted by the Cochin Start Up Village in Feb 2015 revealed that paucity of funds accounted for 18 per cent of the mortality of student Start-ups. Lack of family support (10.5%), well-placed jobs (43%), unviable business idea (11%), competition from a better player (7%) and pursuit of higher studies (3.5%) were among the other major factors that aborted some of these Start-ups.

Start-up Village witnessed a QoQ (Quarter-on-Quarter) growth of 40 per cent, indicating an accelerated growth in the entrepreneurial culture amongst the youth. As compared to 136 applications in the fourth quarter (Oct-December) of 2012, the cumulative number was 1,287 and 5,971 by the corresponding period of 2013 and 2014, respectively<sup>6</sup>.

### **SIGNIFICANCE OF THE STUDY**

Start-ups and Start up Villages are Prominent Thumb Prints of Developing Nation like India, Playing a key role in economic prosperity, Service catering Employment creation and value Addition with direct influence on standard of living of consumers and society. It provides founders with workspace, high-speed Internet connectivity, legal and intellectual property services and access to high-profile investors. Companies can also grab the Start-up Village Angel Fund, Crowd funding, Seed Capital. They also have access to all the workshops, networking events and contests at Start-up Village. The study aims to draw a frame work on the Problems and Prospects of start-ups in Kerala - A Study with Special reference to Cochin Start-upVillage .In this context the present study assumes greater significance.

### **Scope of the study**

The present study has been undertaken to analyze the problems and prospects of start-ups in Kerala with special reference to Cochin Startup Village. The assessment has been made by considering the perception of founders of startups operating from Cochin startup village.

### **OBJECTIVES OF THE STUDY**

- a)To empirically evaluate the problems faced by start-ups.
- b) To study the prospects of start-ups in Kerala.

### **Hypotheses of the study**

H<sub>01</sub> There is no significant difference in the level of support received by the respondents from start up village and family members.

H<sub>02</sub> There is no significant difference in the level of progress in the projects of the respondents.

## Research Methodology

### Selection of sample

A sample of 30 respondents has been selected by adopting convenience sampling method for the purpose of study.

### Collection of data

The primary data are collected from the respondents based on structured interview schedule. The Secondary data were collected from official website of Cochin Start up Village.

### Tools of Analysis

The data collected are suitably classified and analysed keeping in view the objective of the study. Rank Test and t-test were used via SPSS for the analysis.

### Period of study

The survey was conducted during the period from 1<sup>st</sup> April to April 30<sup>th</sup> 2015.

### Limitation of the study

As convenience sampling method was used, the selection of the units from the population on the basis of availability and /or accessibility is the major disadvantage. The study was limited to cochin startup village pertaining to startups operating in 5k block of village .Data collection and evaluation were made on correspondence with the founders of startups operating in favorable business condition ,but failed to incorporate the views of startups operating in private domain and startups which have failed in business progress .The efficiency of startup village in culturing of startup was greatly influenced by secondary data published by village .Problems were evaluated to the extent of 5 constrains but it could be evaluated in multidimensional angles.

## Problems and Prospects of start-ups in Kerala - A Study with Special reference to Cochin Start-up Village – Analysis

The study revealed that the majority of the founders who incorporated start-ups belong to the age group of 15 to 30 years, which shows the emergence of Entrepreneurship Culture and Innovation in youth (Table 1) and a wide gender disparity showing men Entrepreneurs playing prominent role in setting up of start ups (Table 2). Out of 73.3 % corporate form of incorporates, 53% were registered in the name of spouse or sisters (Table 4). The Majority of the start-ups (Table 5) were incorporated as companies followed by partnership firm, and sole proprietary business. The Majority of the startups were engaged in the B to B business (comprising of IT support, industrial products, service) and least concerned in rendering products to consumers (B to C) (Table 6). Most of the founders belong to discipline who are competent enough to come up with innovative idea (IT background (40%) followed by engineering other than IT (30%)) and least from Arts (3.3%), Commerce (20%) (discipline depended on qualified personalities to get IT support) (Table 7). Most of the companies take more than 6 months to 1 year to come up with a favorable product meeting product market fit (Table 8). The majority of the startups operating in Cochin Start Up village is non-revenue generating units due to poor product market fit and lack of proper mentoring Aid (Table 9). The majority of founders deployed own funds (90%) though funds were available at reasonable rate via Seed Capital, Start up funding, Angle Funding and Crowd Funding (Table 10). The majority of the founders (86.7%) were with the view that they had clarity regarding the framework of operations that they would be undertaking before incorporating as a Startup (Table 11). The study revealed that the majority of founder composition of start ups are based on Friendships (Peer Groups), followed by Professional Association and least via mixed composition (based on Friendship, Relative and Skilled forum) (Table 12). Advertisement and public events, sponsored and organized by Govt. played a prominent role in



promoting start up business culture in Kerala (Table 13). The majority of the startups had high family support. Whereas report published by the village has shown lack of family support was a prominent aspect in failure of start ups (Table 14). Problems faced by the founder of Start Ups revealed that Low Return (on Investment and Time) was the main problem faced by them as it was ranked as first, followed by poor Product Market Fit. Poor Mentoring has been identified as the third constraint faced by the Start Ups, followed by lack of funds and the least problem affected by the Start Ups are poor Infrastructure facilities (Table 15). The study revealed that “Service” was the main motto behind the start ups as it was ranked as first followed by Economic gain, Social progress, National importance and prefers least for Ecological aspect (Table 16). T-Test has been applied to know whether there is any significant difference in the level of support received by the respondents from start up village and family members. The test result (Table -17) revealed that there is a significant difference in these aspects among the respondents since p values (.000) are less than .05. Therefore, the null hypothesis  $H_{01}$  stating that there is no significant difference in the level of support received by the respondents from start up village and family members is **rejected**. T-Test has been applied to know whether there is any significant difference in the level of progress in the projects of the respondents. Test result shows that there is a significant difference in the level of progress in the projects of the respondents since p value (.000) is less than .05 (Table-18). Therefore, the null hypothesis  $H_{02}$  stating there is no significant difference in the level of progress in the projects of the respondents is **rejected**.



### Conclusion

Study on prospects and problems of startups and startup village with special reference to Cochin start up village has unveiled youth play a prominent role with high gender disparity. The study revealed that the majority of the founders are youngsters ,started their Start Ups as companies ,engaged in the B to B business (comprising of IT support, industrial products, service) and least concerned in rendering products to consumers(B to C).Most of the founders belong to science discipline who are competent enough to come up with innovative idea ( IT background )It takes more than 6months to come up with a favorable product meeting product market fit for most of the startups with least dependence on startup funds . The majority of the startups operating in Cochin Start Up village is non revenue generating units due to poor product market fit and lack of proper mentoring Aid.The majority of the startups had high family support. The main problem faced by Start Ups was Return on Investment and Time, followed by failure to develop a proper product meeting the Product Market Fit, Mentoring was identified as the third constraint faced by the Start Ups, followed by funding for the Start Ups and the least problem affected by the Start Ups was Infrastructure facilities. “Service” was the main motto behind the start ups as it was ranked as first followed by Economic gain, Social progress, and National importance and prefers least for Ecological aspect.

### Reference

1. <http://in.reuters.com/article/2012/12/04/india-technology-startupvillage-entrepre-idINDEE8B20GO20121204>
2. <http://www.startatsv.com/sv-1000-day-impact/>

**Table 1 Age of the founders**

| Age(Years)         | Frequency | Percent |
|--------------------|-----------|---------|
| Less than 15       |           |         |
| 15 – 30            | 20        | 66.7    |
| 30 – 45            | 6         | 20.0    |
| 45 Years and Above | 4         | 13.3    |
| Total              | 30        | 100.0   |

Source : Primary data.

**Table 2 Gender of the Founders**

| Gender | Frequency | Percent |
|--------|-----------|---------|
| Male   | 26        | 86.7    |
| Female | 4         | 13.3    |
| Total  | 30        | 100.0   |

Source: Primary data.

**Table 3 Type of Start Up**

| Type                | Frequency | Percent | Women Registered start ups(%) | Men Registered start ups(%) |
|---------------------|-----------|---------|-------------------------------|-----------------------------|
| Sole Proprietorship | 4         | 13.3    | -                             | 13.3                        |
| Partnership Firm    | 4         | 13.3    | -                             | 13.3                        |
| Company             | 22        | 73.3    | 52                            | 48                          |
| Total               | 30        | 100.0   |                               |                             |

Source: Primary data.

**Table 4 Nature of Product**

| Nature      | Frequency | Percent |
|-------------|-----------|---------|
| I T Support | 16        | 53.3    |
| Industrial  | 1         | 3.3     |
| Service     | 8         | 26.7    |
| Product     | 5         | 16.7    |
| Total       | 30        | 100.0   |

Source: Primary data.

**Table 5 Education Background**

| Discipline                | Frequency | Percent |
|---------------------------|-----------|---------|
| I T                       | 12        | 40.0    |
| Engineering other than IT | 9         | 30.0    |
| Arts                      | 2         | 6.7     |
| Commerce                  | 6         | 20.0    |
| Others                    | 1         | 3.3     |
| Total                     | 30        | 100.0   |

Source: Primary data.

**Table 6 Time Behind The Project**

| Time Frame                 | Frequency | Percent |
|----------------------------|-----------|---------|
| Below 6 Months             | 5         | 16.7    |
| Between 6 Months to 1 Year | 15        | 50.0    |
| Above 1 Year               | 10        | 33.3    |
| Total                      | 30        | 100.0   |

Source : Primary data.

**Table 7 Return Status of the Venture**

| Status | Frequency | Percent |
|--------|-----------|---------|
| Yes    | 12        | 40.0    |
| No     | 14        | 60.0    |
| Total  | 30        | 100.0   |

Source : Primary data.

**Table 8 Origin of Idea**

| Origin                                | Frequency | Percent |
|---------------------------------------|-----------|---------|
| Before Knowing About Start Up Village | 26        | 86.7    |
| After Knowing About Start Up Village  | 4         | 13.3    |
| Total                                 | 30        | 100.0   |

Source: Primary data.

**Table 9 Relationship between Crew Members**

| Relationship             | Frequency | Percent |
|--------------------------|-----------|---------|
| Friends                  | 12        | 40.0    |
| Self                     | 13        | 43.3    |
| Professional Association | 3         | 10.0    |
| Combined of the Above    | 2         | 6.7     |
| Total                    | 30        | 100.0   |

Source: Primary data.

**Table 10 Source of Information about Start -Up Village**

| Source of information | Frequency | Percent |
|-----------------------|-----------|---------|
| Friends               | 2         | 6.7     |
| Advertisements        | 18        | 70      |
| Social Media          | 9         | 30.0    |
| Teachers              | 1         | 3.3     |
| Total                 | 30        | 100.0   |

Source: Primary data.

**Table 11 Source of Funding**

| Source of funding | Frequency | Percent |
|-------------------|-----------|---------|
| Own Fund          | 27        | 90.0    |
| Start Up Fund     | 2         | 6.7     |
| Bank              | 1         | 3.3     |
| Total             | 30        | 100.0   |

Source: Primary data.

**Table 12 Support from Family for Entrepreneurship**

| Support level | Frequency | Percent |
|---------------|-----------|---------|
| Very High     | 23        | 76.7    |
| High          | -         | -       |
| Moderate      | 7         | 23.3    |
| Low           | -         | -       |
| Nil           | -         | -       |
| Total         | 30        | 100.0   |

Source: Primary data.

**Table 13 Perspective of Start Ups**

| Priority of start ups | Weighted Mean | Rank |
|-----------------------|---------------|------|
| Economic              | 7.73          | 2    |
| Social                | 5.90          | 3    |
| National              | 4.20          | 4    |
| Ecological            | 3.06          | 5    |
| Service               | 9.47          | 1    |

Source : Primary data.

**Table 14 Progress of the Project**

| Progress  | Frequency | Percent |
|-----------|-----------|---------|
| Very High | 5         | 16.7    |
| High      | 11        | 36.7    |
| Medium    | 10        | 33.3    |
| Low       | 4         | 13.3    |
| Total     | 30        | 100.0   |

Source: Primary data.

**Table 15 Support from Start Up Village**

| Support Level | Frequency | Percent |
|---------------|-----------|---------|
| Very High     | 10        | 33.3    |
| High          | 8         | 26.7    |
| Medium        | 6         | 20.0    |
| Low           | 5         | 16.7    |
| Nil           | 1         | 3.3     |
| Total         | 30        | 100.0   |

Source: Primary data.

**Table 16 Problems Faced by Entrepreneurs**

| Problems                  | Weighted Mean | Rank |
|---------------------------|---------------|------|
| Lack of Fund              | 5.3           | 4    |
| Poor Product Fit          | 6.8           | 2    |
| Poor Mentoring            | 6.6           | 3    |
| Inadequate infrastructure | 3.4           | 5    |
| Low Return                | 7.73          | 1    |

Source: Primary data.

**Table 17 Perspectives of Start-ups (t- test)**

| Responses                     | N  | Mean | Std. Deviation | T      | df | Sig. (2-tailed) |
|-------------------------------|----|------|----------------|--------|----|-----------------|
| Support From Start Up Village | 30 | 3.70 | 1.208          | 16.780 | 29 | .000            |
| Support From Family           | 30 | 4.53 | .860           | 28.860 | 29 | .000            |

Source: Primary data.

**Table -18 Perspectives of Start-ups ( t –test)**

| Responses               | N  | Mean | Std. Deviation | T      | Df | Sig. (2-tailed) |
|-------------------------|----|------|----------------|--------|----|-----------------|
| Progress of the Project | 30 | 3.57 | .935           | 20.888 | 29 | .000            |

Source: Primary data.