



## Study on the reasons affecting Startup Failures, Diversification Strategy in Kerala

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### Abstract

As in the current scenario, the startups play a pivotal role and has a huge influence on the promotion of economic growth. With the perceived anticipation by the authorities on the significant effect, a startup firm has on the economy as a whole using various affirmative factors as such as the job creation, economic development, meriting to the technological upgradation and many more. There has been a significant attempt to promote entrepreneurship through establishment and support of various incubation centres. But despite the reception appreciated towards its development, the failure rates of the startups are at an alarming rate. This research paper aims to outline the various factors concerning the startup failures; and the diversification strategy adopted by the startup founders in the attainment of their objectives and the extent to which it has merited in its objective attainments.

**Keywords:** Startups, diversification, incubation, startup ecosystem, boot camp.

### 1. Introduction

In a developing country, the promotion of the concept of entrepreneurship is vibrant for the attainment of the objectives of growth. In an entrepreneurial ecosystem, it seems so important to eradicate the two problems faced by an economy, which is indeed both unemployment and underemployment. India has provided a long nurturing room for the empowerment of self-reliance and to promote numerous innovative start-ups which could, in turn, make an impact. It is even reported that 90% of the Indian start-ups fail within the first five years of their introduction, and every start-up that failed in the germination process with no further movements, becoming an orphan. The failure in the start-ups is a situation implying to the failures of potential entrepreneurs in an economy. The antonym concept of success – failure is something which is so related to the portal of crisis management and has much further research scope and contributions to be made in the aspirated hopes as the entrepreneurial ecosystem is concerned. Despite the benefits and incentives, a start-up is provided within pursuing the entrepreneurial dream a reality, the factors leading to the start-up failures are crucial instinctual thoughts to be considered. Successful and failed start-up have many insights to be offered to the entrepreneurial ecosystem in contributing to a potential success start-up. As implied, the failure factors of a start-up could be the success factor for another start-up. Along with the failure notes, it is even reported about the comeback of these start-up firms after the setback through the diversification strategy has merited an affirmative way in the attainment of the objectives behind the firm inception or incorporation. These factors of start-up failures, diversification strategies are all correlated and cannot be put on spot single alone. Since the challenges to be addressed in the entrepreneurial venture and journey are characterized by hardships and shortcomings, and various factors in intense magnitude in different approach affect the roads to failure, the diversification strategy adopted by the start-up founders after the start-up vulnerability to attain the objective behind its inception are all matters of high promising factors and inspiration, this study merits scholarly research. Thus, this study is an attempt to review various reasons or factors for the failure of start-ups in Kerala.

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