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## Gap between burn rate and revenue in business sphere

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### Introduction

Startups are significant. They are the new 'in' in business sphere. They play a critical role in development of a country. Startups are nothing but an idea that manifests into a commercial undertaking. The growing number of startups in India is certainly not an elapsing trend and is here to stay. Startup India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation. Startups in the country will drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design. Startup India campaign is based on an action plan aimed at promoting bank financing for startup ventures to boost entrepreneurship and encourage startups with jobs creation.

It has been observed that despite having raised good investments, many startups struggle to survive the competition and are eventually forced to shut down their businesses. It is extremely important to find out and resolve the factors that are preventing growth and sustainability of startups in the country. Now let us take a look at what are the roadblocks that a startup may face. Below are the key things, influencing the failure or success rate of startups in India.

### Acquisition of right talent

India is known for its affordable pool of talent, especially when it comes to technology. However, when one is starting up, talent acquisition becomes a pain, given that not everyone is flexible enough to work in a startup. The major deterrents on Indian startups' path to a faster growth is the fear of failure. Affordable talent and the right time for the required talent is another challenge.

There are a number of solutions that one can opt for in this scenario, having people who have basic talent acquisition knowledge can help you create talent pipelines to assist in the recruitment process.

### **Insufficient funding**

A lack of startup capital is the most common reason why people don't open enterprises. Obviously, it can be next to impossible to start businesses without money for basic expenses, such as staffing, production and hardware.

Regardless of how you go about it, you need to have a solid pitch ready. Anyone who's going to fund your company wants to know what you're offering, how you plan to break into the industry and your plans for marketing your business.

### **Gap between burn rate and revenue**

Amidst the growing competition, it becomes imperative for startups to scale up fast, and this is where external funding comes in. Startups and Investors go hand in hand, several Internet companies delay putting in efforts for revenue generation and focus more on raising investment. When fundraising comes to a halt, troubles start. Right management of burn rate is a big concern. Often, as loses track of the burn rate and its own depleting revenue thus eventually going bankrupt. Hence, a conscious generation is required.

Here it is very important to have a proper plan for the management of your burn rate. The way to operate is to not let the burn rate go haywire ever.

### **Decelerators**

It is really interesting how the problems are evolving along with the evolution of startups in India. One of the major issues is "the influence of external organizations" that is businesses, incubators, institutes and all such organisations which are trying to control, manage, take advantage for their events, brand or just numbers, be the daddies of the startups and entrepreneurs in the name of helping, mentoring, etc.

Therefore, influence of external organisations/entities need to accelerate.

### **Lacking mentorship**

Lack of proper guidance and mentorship is one of the biggest problems that exists in the Indian startup ecosystem. But, one of the biggest factors that slows the growth of these companies, is the poor quality of mentorship they get. Most of these organizations are good with their ideas and/or products, but have little or no industry, business and market experience to effectively get their products out. Therefore a good mentor right from the early

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stages, can help these companies in not only capturing the markets faster and have the first mover advantage, but can also help them in strategizing each of their steps from a more experiential standpoint. Plus, a mentor brings with him/her, a huge professional network that can be a huge bonus for the entrepreneurs.

One of the best ways to find a good mentor is to be networking all the time. Meet new people, take part in the startup based networking events, discuss about the industry and your ideas to improving it, learn about their respective stories.

### **Lacking good branding strategy**

Absence of an effective branding strategy is yet another issue that bars startups from flourishing speedily. Branding is one of those areas in a business that demands paramount attention. However, given the question of affordability, many startups struggle to build a good branding strategy for their businesses. Branding has to be a commitment. In fact, almost like a spiritual commitment for entrepreneurs looking at pacing up their product's long term commercial success.

Branding starts at the same time as the business does...it's like a baby being born and given a name so that people can identify it with that name. Then comes the process of making it popular which is what advertising is all about and that is completely objectivised.

### **Fragmented market and the dearth of domain knowledge**

The largely unorganized and fragmented market in India stands as one of the biggest hurdles for startups on their way to success. Before foraying into any business, one must cultivate a strong domain knowledge. In India consumer behaviour changes within few km, which makes it a highly complex, diverse and unorchestrated market. It's very easy for startups to bag capital these days. However, what is not easy is building a strategy to move ahead and capture the larger market. Only a few have managed to spread their footprints across the country. Most of them usually get stuck in stagnancy and eventually, shut down.

There is a need to understand the fragmented market and to get the depth knowledge before startup the business, wherein research is required.

### **Replicas of western market**

Emulation of ideas and business models is a common tendency that startups in India need to get rid of. It is stated that most of these business models have been replicated from the West. Hence, few are profitable despite raising fortune. One must understand that ours is a very different scenario. India has a huge potential given that most of the market is still untapped

due to the lack of internet penetration in rural and suburban areas owing to the issue of affordability and infrastructure deficit. Nevertheless, with Digital India initiative, things are going to change for good.

The foreign market models may not work in India. We should build our models based on our market.

### **Struggle to reinvent constantly**

Customers today are very adaptable to change. The biggest challenge is the need to constantly reinvent yourself and come up with a service to be able to match up customer expectations. But this roadblock can be converted into a big opportunity. Also, certain services provided by earlier applications have become pre requisite for customer today. So, you need to be providing something over and above constantly. It's all about providing the wow factor.

Thus, there is need to constantly reinvent and come up with a service to be able to match customer expectations challenges. Due to the advent of technology and competition, the challenge to provide over and above immense.

### **Pessimistic approach**

- Many people don't turn their dreams into reality because they don't know the first step to take.
- Potential entrepreneurs dream big, but they don't think they can make their grand schemes work in the real world.
- Days are short. Even if you burn the candle at both ends, you may feel there aren't enough seconds to finish everything involved with your business.
- A few entrepreneurs haven't started businesses because they're scared of failing. No one wants to fall short of their dreams and have to start over, so they don't bother trying in the first place.

Be optimistic, work hard, and believe in yourself are few of the keys of success for startup.

### **Conclusion**

It is a given fact that despite having raised good investments, many startups struggle to survive the competition and are eventually forced to shut down their businesses. But once you know what the main issues are that are stopping you from reaching greater heights, it gets easier to face them and be able to work against them.

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