THE OBSTACLES FACED DURING STARTUP BUSINESS: THE ROLE OF POLIES AND MONOPOLY

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Abstract: This research is a challenge to understand the obstacles and problems that are faced by the newcomers in already established market. It includes that when a start-up business or new venture enters the market how other competitors gave them tough time to make their place in markets. Also discussed the monopolies regarding this and how government should help and encourage youth for new ventures to make development together and better. Key objective of this research is to explore that to promote business culture in youth and make policies which make it easier relatively to enter the market and flourish their business. The research model was tested with 235 participants (155 males and 80 females) from different sectors through online and onsite survey. SPSS program was used to make statistical analysis of the data.

Keywords: Obstacles, Start-ups, Ventures.

1. INTRODUCTION

Startups are small businesses that produce and introduce a unique product or service to the market which is irresistible to the target public. Startups are built on “ingenuity, fixing flaws in current products or inventing whole new types of goods and services, causing whole markets to change their ways of thinking and doing business”. As a result, several startups are dubbed “disruptors” in their respective sectors. Startup businesses aim to grow rapidly. Firms are not called startups just because it was built recently. Furthermore, a startup doesn't have to concentrate on using advanced technology, acquire “venture capital”, or prepare an “exit strategy” in advance. The only thing which matters for startups is “Growth”. (Graham, 2018)

Before the business gets fully established, startups are mostly financed by their founders and found securing investments from venture capitalists, local crowdfunding, and loans. The starting few months are most important for startups because it is observed that many startups faced numerous obstacles in their initial three years. Entrepreneurs must raise funds, develop a business strategy and strategy, recruit key people, iron out nitty-gritty information, and plan for the long term. New startups often face obstacles and challenges like financial challenges, resources problems, fierce competition, etc along with numerous barriers to entry in the respective market. Barriers to entry are barriers or hindrances that hinder a potential entrant seller from joining the market and competing with current competitors, such as high costs, government rules, patents, or other problems. Barriers to entry represent a serious threat to the competitive scene since the playing field is not fair, and new entrants have a difficult time catching up to established players.

Mostly government intervention creates barriers(monopoly), but often free market also creates barriers. Some companies also request the Government to introduce potential barriers to entry to strengthen the reputation of the industry and to
Barriers to entry are economic and commercial terms that describe characteristics that might prohibit or hinder entrants from entering a market or industrial area, therefore limiting competition. These might include high start-up costs, regulatory restrictions, or other barriers that make it difficult for new rivals to enter a particular area. Existing companies gain from entry barriers because they safeguard their market share and capacity to produce revenues and profits.

Common entrance hurdles include specific tax breaks for existing businesses, patent protection, a strong brand identification, customer loyalty, and significant switching costs. Other impediments include the requirement for new firms to get licences or regulatory approval before beginning operations. The hurdles or hindrances that make it difficult for new businesses to enter a market are known as barriers to entry. Technology hurdles, government restrictions, patents, startup expenses, and education and licensing needs are just a few examples. “An advantage of established sellers in an industry over potential entrant sellers, which is reflected in the extent to which established sellers can consistently raise their prices above competitive levels without attracting new entrants to enter the industry,” according to American economist Joe S. Bain.

Thus, this research is an attempt to understand and elaborate the major obstacles faced by new business, to explore the extent to which such challenges and barriers to entry affect the business, to understand and highlight monopolies and policies created due to such barriers, the effect of monopolies on startup businesses and to propose some recommendations and alternatives to mitigate these barriers. The aim is to use this knowledge as a result of my research to help startup businesses enhance their work processes, such as increasing sales, work performance, increasing reputation, increasing loyalty, or retaining customers, and invading the markets.

Economies of scale are a crucial notion for any company in any sector since they reflect the cost savings and competitive advantages that larger companies have over smaller ones. Most customers don’t comprehend why a smaller firm charge more for a similar product as a larger one. Because the cost per unit is determined by how much the firm produces, this is the case. Larger businesses may create more because their manufacturing costs are spread out over a larger volume of items. If several firms are manufacturing identical items within an industry, the industry may be able to determine the price of a product. Economies of scale result in cheaper per-unit costs for a variety of reasons. To begin with, worker specialization and more integrated technology increase output quantities. Second, reduced per-unit expenses can be achieved by supplier bulk orders, greater advertising purchases, or a lower cost of capital. Third, spreading internal function expenses across a larger number of units produced and sold lowers costs. This leads to the following hypothesis:

**H1: Economies of scale is desirable for monopoly and have negative impact on Startup business.**

When a corporation controls a limited physical resource, this is another form of natural monopoly. One historical example of this trend in the US economy occurred when ALCOA—the Aluminium Company of America—controlled the majority of the supply of bauxite, a crucial material needed in the production of aluminium. When ALCOA owned the majority of the bauxite in the 1930s, other companies were simply unable to create enough aluminium to compete. Thus, the following hypothesis was deduced:

**H2: Controlling Natural resource which is essential for final products is a form of monopoly power.**

There are several methods for establishing a monopoly, the majority of which rely on government support. The government providing a firm most basic way to form a monopoly is to have exclusive rights to supply products or services. The government creates entry barriers for some products by banning or limiting competition. No entity other than the United States Postal Service is legally permitted to deliver first-class mail in the United States. Many states or towns have rules or regulations that limit homes to only one electric utility, one water company, and one waste collection company. The majority of legal monopolies are considered utilities—products that are essential for daily living and are socially good to have. As a result, the government enables manufacturers to become controlled monopolies in order to ensure that consumers receive an adequate supply of these items. Thus, following hypothesis was concluded:
H3: Monopolies initiated by Government and legal policies have positive impact on economy.

Mostly government intervention creates barriers (monopoly), but often free market also creates barriers. Some companies also request the Government to introduce potential barriers to entry to strengthen the reputation of the industry and to discourage new businesses from bringing fewer quality products into the markets. (Hayes, 2021) Thus, the following hypothesis is deduced:

H4: Monopolistic Powers has negative impact on potential competitor.

The research framework of the study is based on one dependent variable and three independent variables to study the role of monopoly on startup businesses. The defendant variable is a monopoly, and the independent variable is the cause of monopoly. This study will be performed using an inclusion questionnaire approach, accompanied by qualitative interviews and surveys within their organizations with executive leaders, HR managers, managers, and employees responsible for evaluating employees. New businesses and startups are the focus demographic of this report, and this population represents most businesses in the country.

The method which is going to be used in this research is quantitative method and this research is co-relational. This research will be helpful to find the relation between role of monopoly in obstacles faced by startups. The descriptive method of investigation will be used in this. Convenient sampling will be used because of less time duration. The primary data will be collected through different organizations and secondary data from previous research. This study's key objective is to solve several issues and obstacles faced by startup businesses when entering new markets. And this study is based upon the descriptive method of investigation. The validity of the data is generally verified through this analysis, and a more comprehensive description of the analysed data is given (Mansor and Kurt, 2019). In this analysis, the research technique is a deductive reasoning approach that deals with the creation of an established theory-based hypothesis, and it uses tests to evaluate this assumption. His research also deals with calculating and recording a specific population's incidence and offers an objective image of a situation.

Data collection methods include surveying, using a questionnaire, including already existing thesis and research works. The sample will be collected from startup businesses and established businesses. Simple and random sampling will be used for the collection of data. The data will be collected from senior managers, mid-level managers, and employees of those organizations. The number of respondents will be calculated based on the sampling formula and visiting the chamber of commerce later. SPSS software will be used to evaluate the data obtained, and concise statistics will be used to view mean points and deviation points on all demographic questions.

2. RESEARCH METHODOLOGY

Basic Research was conducted as it aimed at expanding the existing base of knowledge related to find the major obstacles faced by new business, to highlight monopoly and policies created due to such barriers and to explore the extent to which such barriers affects the business and alternatives to mitigate these barriers. An explanatory research was done in order to explain the relation between Economies of scale, Controlling Natural resource, Government and legal policies and potential competitor with monopolies. Deductive research was carried out because it works from the more general to the more specific. In order to had clear picture about the hypothesis positive and negative relations of Economies of scale, Controlling Natural resource, Government and legal policies and potential competitor with monopolies, so deductive research is preferred in this thesis.

Convenience sampling is applied by me to measure their perception of their image in the market. Data is collected from potential customers to understand specific issues or manage opinions of target audience. In some cases, it is the only available option. Convenient sampling will be used because it is unable for me to collect data from every good organization and employees because of lack of resources. We targeted Probability sampling as far as possible and tried that every member of the target population has a known chance of being included in the sample. I tried my best to include both genders, different age group also on basis of experience. Cross sectional study was preferred in this particular scenario as timelines were tough so I included a population at a single point in time to examine the relationship between Economies of scale, Controlling Natural resource, Government and legal policies and potential competitor with monopolies. It was difficult to carry out longitudinal study as it requires few years. Field research is a research conducted in this thesis as I preferred the real world or a natural setting. Participants in a field research may or may not know that they are being studied.
3. RESULTS

The questionnaire was distributed to 250 participants, out of which 235 participants completed the survey. The results of the surveys were reviewed for efficiency and missing data before the findings of the questionnaire were analyzed. The range of numbers and reasonability of mean and standard deviation were measured to evaluate the correctness of discrete and continuous variables.

Descriptive analysis is finding the central tendency of distribution to estimate the "center" of a set of values. The mean and standard deviation is the most common way of conveying central tendency and variability in the data. The mean values for all 11 questions vary from 3.97 to 4.45, showing a shift in the ideas and views of 235 respondents from agreeing to highly agreed. All the questions have a standard deviation in the range of 0.79-0.94, which is quite low, indicating that the data set is clustered around its mean value.

All of the questions in the survey were created using a positive item scale, which means that items with above-average responses were deemed favorable responses or in favor of the hypothesis. Since the items are not correlated, one sample T-test analysis was used to validate the hypothesis. Since our scale is positive, to prove the hypothesis, our response must be above average, that is 4 or 5. Thus, based on the literature review and hypothesis, the test value for T-test analysis for all hypotheses was set at 4. The data was analyzed using the "Confidence Interval" as a benchmark. Confidence intervals demonstrate the importance of estimation over hypothesis testing.

Table 1 and Table 2 shows the results of one sample t-test analysis for H1. According to the results of the study, the 95 percent confidence interval (CI) value indicates the least variation from the mean value and concludes that the mean difference is less than 0.5 from the mean value 95 percent of the time out of 100% of the time, which is still within the range of acceptable response values (from agreeing to strongly agree). Hence it proved that 95% of people agreed that they faced financial crises in the seed stage of their startups and economies of scale do have a negative impact on their startups. Hence, H1 was accepted. According to table 3, the t-value came out to be 3.893, indicating that the test value was legitimate. Furthermore, the 95 percent confidence interval (CI) value indicates the least variation from the mean value or concludes that it can vary from 0.11-0.35 from the mean value, 95 percent of the time out of 100% of the time, which is still within the range of acceptable response values. Thus, H2 was accepted.
From the table 4, it can be seen that the t-value was 3.578 when the testing value was 4, to check the validity of hypothesis 3 indicating that the test value was legitimate. Furthermore, the 95 percent confidence interval (CI) value indicates the least variation from the mean value or concludes that it can vary from 0.09-0.32 from the mean value 95 percent of the time out of 100% of the time, which is still within the range of acceptable response values. Thus, **Hypothesis 3 was accepted**. From the analysis and table 5, it is evaluated that the t-value was of minimum value for all the items when the testing value was 4, proving the validity of the test value. Furthermore, 95% of CI value indicates the least difference from the mean value for all the items and it concludes that it can decrease maximum of 0.16 from the mean value and increase 0.39 from mean value 95% out of 100% of sampling, which is still in the range of agreeable response values. Hence, **H4 was also accepted**.

Table 1: T-Test for financial obstacles

<table>
<thead>
<tr>
<th></th>
<th>T</th>
<th>Df</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. My start-up faced financial challenges in early days.</td>
<td>8.230</td>
<td>234</td>
<td>0.447</td>
<td>0.34 - 0.55</td>
</tr>
<tr>
<td>2. My start-up’s growth rate was hampered when dealt with employee retention and compensation.</td>
<td>-0.468</td>
<td>234</td>
<td>-0.026</td>
<td>-0.13 - 0.08</td>
</tr>
</tbody>
</table>

Table 2: T test for economies of scale

<table>
<thead>
<tr>
<th></th>
<th>t</th>
<th>df</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. My Start-up faced cost disadvantages because economies of scale caused unavailability of material at a better rate.</td>
<td>5.796</td>
<td>234</td>
<td>0.328</td>
<td>0.22 - 0.44</td>
</tr>
<tr>
<td>4. My Start-up faced cost disadvantages due to fixed costs being spread for a large number of products as a result of economies of scale.</td>
<td>2.231</td>
<td>234</td>
<td>0.115</td>
<td>0.01 - 0.22</td>
</tr>
<tr>
<td>5. My Start-up faced cost disadvantages because economies of scale declined the per-unit cost of labour.</td>
<td>4.877</td>
<td>234</td>
<td>0.285</td>
<td>0.17 - 0.40</td>
</tr>
</tbody>
</table>

Table 3: One sample T-test for H2

<table>
<thead>
<tr>
<th></th>
<th>t</th>
<th>df</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. My start-up faced cost disadvantages due to single resources control and monopolistic power.</td>
<td>3.893</td>
<td>234</td>
<td>0.230</td>
<td>0.11 - 0.35</td>
</tr>
</tbody>
</table>

Table 4: One sample T-test for H3

<table>
<thead>
<tr>
<th></th>
<th>t</th>
<th>df</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>11. My start-up used legal barriers such as copyright and patent to use monopoly in its favour.</td>
<td>3.578</td>
<td>234</td>
<td>0.209</td>
<td>0.09 - 0.32</td>
</tr>
</tbody>
</table>
Table 5: One sample T-test for H4

<table>
<thead>
<tr>
<th></th>
<th>t</th>
<th>df</th>
<th>Mean Difference</th>
<th>95% Confidence Interval</th>
<th>Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. My start-up faced difficulties to overcome economies of scale because of insufficient brand recognition.</td>
<td>2.300</td>
<td>234</td>
<td>0.132</td>
<td>0.02</td>
<td>0.24</td>
</tr>
<tr>
<td>7. My start-up faced competition due to strong brand images.</td>
<td>4.651</td>
<td>234</td>
<td>0.272</td>
<td>0.16</td>
<td>0.39</td>
</tr>
<tr>
<td>8. My start-up faced challenges due to less exposure to the potential clients during its seed stage.</td>
<td>3.257</td>
<td>234</td>
<td>0.187</td>
<td>0.07</td>
<td>0.30</td>
</tr>
<tr>
<td>10. My start-up faced competitive disadvantage of monopolistic power while entering into the market.</td>
<td>3.104</td>
<td>234</td>
<td>0.183</td>
<td>0.07</td>
<td>0.30</td>
</tr>
</tbody>
</table>

4. DISCUSSION AND CONCLUSION

This research aimed to identify obstacle faced by the start-ups in order to survive in the competitive market. The study focused on the problems and possibilities faced by start-ups and new enterprises. The direct impact of policies and monopolies on startups is investigated in this study. The data for this thesis was collected from a group of 235 people. The sample was then subjected to various analyses using the SPSS 2.0 program.

The hypotheses were tested using “one sample T-test analysis” because the questionnaire data is not correlated. The result of the T-test was in favor of both the hypothesis. Meaning, in a population sample, 95% of the people agree that “Economies of scale is desirable for monopoly and have negative impact on Startup business”, “Controlling Natural resource which is essential for final products is a form of monopoly power”, “Monopolies initiated by Government and legal policies have positive impact on economy” and “Monopolistic Powers has negative impact on potential competitor”.

It was also deduced that “Financial crises” was the major obstacle faced by most of the startups even their growth rate was hampered when dealing with employee retention and compensation.

It also implies that economies of scale are a critical concept for any business in any industry, since they indicate the cost savings and competitive advantages that bigger businesses have over smaller businesses. Most clients are baffled as to why a smaller company would price more for the same goods as a large one. This is the case since the cost per unit is decided by how much the company produces. Because their production expenses are spread out over a bigger number of things, larger enterprises may be able to produce more.

Within an industry, if numerous businesses manufacture identical things, the industry may be able to decide the price of a product. For several reasons, economies of scale result in lower per-unit costs. There are several ways to counteract the negative impacts of economies of scale. To begin with, worker specialization and better-integrated technology boost output. Secondly, lower per-unit costs can be accomplished by bulk purchases from suppliers, increased advertising spending, or a lower cost of capital. Thirdly, costs are reduced by spreading internal function expenditures across a larger number of units produced and sold.

It is also deduced that monopoly can be established in a number of ways, the bulk of which rely on government assistance. The most fundamental approach for the government to create a monopoly is to provide exclusive rights to supply products or services. By prohibiting or restricting competition, the government establishes entry barriers for some products. The bulk of legal monopolies are utilities—products that are both necessary for everyday life and beneficial to society. As a result, the government allows firms to become regulated monopolies in order to ensure that customers have enough of these products and thus majority of start-ups used legal barriers such as copyright and patent to use monopoly in its favour. However, Another type of monopoly known as natural monopoly that occurs when a firm owns a restricted physical resource has negative impact on startups and according to our research findings, 955 of population sample faced cost disadvantages due to single resources control and monopolistic power. Government interference (monopoly) is the most common source of obstacles; however, the free market is also a source of barriers. Some firms also ask the government to erect possible entrance barriers in order to improve the industry’s image and deter new enterprises from
bringing lower-quality items to market. The negative impact of start-ups includes facing difficulties to overcome economies of scale because of insufficient brand recognition, strong competition due to strong brand images, facing challenges due to less exposure to the potential clients during its seed stage and facing competitive disadvantage of monopolistic power while entering the market.

The research finding of thesis can be summarized as follows:

- Monopolies gain from economies of scale, which provide them with a cost advantage over competitors. The legal system has the authority to award corporations monopoly rights over a resource or the production of a thing.
- One form of monopoly power is control over natural resources that are vital to the manufacturing of a good. With sole possession of a resource, the owner has the ability to raise the market price of an item over marginal cost without losing clients to rivals. To put it another way, resource control enables the controller to charge economic rent. This is a typical result of imperfectly competitive markets.
- The government allowing a firm exclusive rights to supply products or services is the simplest method for a company to become a monopoly. Government-created monopolies are designed to provide economies of scale that benefit customers by lowering costs.
- Monopolies are negative because they monopolise the market in which they operate, which means they have no competition. Consumers have no option but to buy from a monopoly when a firm has no competition.

Future Recommendations

We demonstrated and highlight the major obstacles faced by new business and monopoly and policies created due to such barriers. And explore the extent to which such barriers affect the business. Here are some recommendations and alternatives to mitigate these barriers: Make a thorough business strategy that addresses issues such as marketing, staffing, financing, and sales. As the business grows, evaluate and update your strategy on a regular basis. Spend some time undertaking market research to learn more about potential consumers. This will disclose the size of your target market and assist you in determining whether there is sufficient demand for your company concept. If you have marketing budget, invest intelligently in the most relevant approaches. Measure all of your marketing efforts and, if required, adjust your methods. If you don't have the time or ability to perform your own marketing, consider hiring a professional. Assimilate as much information as possible, particularly on the business you're joining, the clients you're aiming for, and the rivals you'll encounter. You should also educate yourself in crucial areas such as finance, marketing, and sales by reading business advice websites, attending events, joining business clubs, and seeking mentors. You must understand all of the costs associated with your start-up and ensure that your products or services are priced correctly in order to turn a profit. Make a cash flow projection that anticipates both your sales and your profit and loss. You can then anticipate how much money is coming in and going out of your company. Make it a point to understand your company's objective and vision. Inform your staff of this plainly. Employees should grasp their aims, as well as the general goals of the firm, and be completely on board with the company's direction. Make certain that employees are kept engaged and that their well-being is taken care of.

REFERENCES


