Startup Failure due to Aggressive Scaling: A Study of Sustainable and Balanced Growth Models in Chandrapur Startups

Dr. Niyaj Shabbir Sheikh

Assistant Professor, Sau. Leena Kishor Mamidwar Institute of Management Studies and Research Chandrapur, niyajsheikh@gmail.com

Abstract

The percentage increment in the startup culture in the emerging market in the past few years has been carried out in the form of a percentage, which in most instances has been triggered by desire to grow and take a market share faster. However, excessive scale without adequate resource planning, market validation, and operational safety has been the reason of a larger number of start up failures. The opportunity of start up failures due to aggressive scaling is discussed in this research paper with special interest to start ups in Chandrapur district of Maharashtra. The paper is designed to determine the imperative mistakes that have resulted in unsustainable growth like mismanagement of funds, untimely growth, talent acquisition problems and strategic vision. The research utilizes mixed method, i.e. both primary data collection consisting in the implementation of the structured questionnaire and interview with the founders of the startup and secondary data collection in the reports, journals and case studies. The findings indicate that the majority of startups are highly emphasized on high growth than on unit economics, retention and operations efficiency hence they have high probabilities of collapse. The paper also gives an indication that there is a necessity to accept sustainable and balanced growth strategies that involve gradual scaling, financial discipline, market sensitive and resilient organization. In this paper, the strategy of sustainable startup development will be proposed that would be adjusted to Tier-II cities (including Chandrapur) and adapted to Tier-III cities, which implies applying the concepts of the lean management, adaptive strategy, and the long-term value creation. The article contributes to the existing body of literature by providing knowledge that is region-specific and applying effective recommendations on how business starters, investors, and policymakers can build a more resilient startup ecosystem.

Keywords: Startup Failure, Aggressive Scaling, Sustainable Growth, Balanced Growth Model, Chandrapur Startups, Entrepreneurial Sustainability, Tier-II Cities, India

Introduction

Over the past decade, Indian startup ecosystem has been booming, which can be explained by the ever-increasing rates of digitalization, government involvement in this to the level of the Start up India program, increased opportunities on ventures capital, and the increasing culture of entrepreneurship. Though this geography has always been dominated by the metropolitan cities which include Bengaluru, Mumbai and Delhi, the Tier-II and Tier-III cities such as Chandrapur in Maharashtra are emerging to make a huge contribution to the decentralized economic development. There are also more first-generation entrepreneurs working in these areas seeking opportunities in local opportunities in the areas that are insourcing retail, manufacturing, agri-business and services. However, with this upgrowth has come a darker aspect wherein the percentage of startups failures have risen and the majority of them can be attributed to rapid scaling strategies which have been pursued with barely much planning. Aggressive scaling can be taken to imply sudden surging of the company business cycle, staff base, further expansion of their product line or even the market size of their market over a new span, usually driven by the desire to take a market position in a short span of time, or the expectation of an investor. Even though it is essential in the growth, scaling may impose excessive load on the financial resources, disrupt the smooth execution of the operations and introduce instabilities in the organization when scaled prematurely or without a good basis.

In the Chandrapur setting, the ecosystem, in which the startup finds itself, has its unique nature and constraints that make the aggressive scaling even more perilous. Smaller startups are common in small cities where they tend to have little access to funding, mentoring, infrastructural resources, and talented human resource unlike the case with large cities. It is on this fact that attempts to follow the high-growth model of startup throws of big cities may not have the same yield. The majority of entrepreneurs in Chandrapur are replicating success cases of larger ecosystems, and have been motivated by them to concentrate on rapid growth in lieu of creating sustainable business frameworks founded on the truths of the local marketplace. The troubling outcomes of this disconnect are a frequent lack of cash flows, failure to maintain quality standards, failure to manage the supply chain efficiently and declining customer satisfaction. In addition, the danger of failure may be increased by inadequate market researches and estimating less demand than in reality resulting in excessive capacities and unused resources.

The lack of emphasis on unit economics and financial discipline is also another noteworthy factor that could lead to the failure of a startup and aggressive scaling. Startups tend to focus on growth of revenue and attracting new customers but ensure they are profitable at the business level. It is possible to provide this strategy with a temporary lifeline by the assistance of outside funding but in such places like Chandrapur where such funding is not that numerous such strategies may be deprived of livelihood quite quickly. Further, the rapid hiring process at times of need to grow is not only likely to increase the fixed cost and misaligning culture within the organization but also remove the foundations of the startup. It also has leadership problems in the sense that it does not have much experience or well structured governance mechanisms through which founders can address some of the complex operations. These issues highlight the need of balanced and strategic development strategy which is sensitive to the capabilities and limitations of the local eco-system.

The models of sustainable and balanced growth offer the potential to the alternative aggressive scaling and focus on low growth, resource optimization and long-term value creation. The models propose a gradual growth process in which a startup will validate their business models, level their business and develop a good rapport with their customers before it further grows. The concepts of lean startup approach, bootstrapping experience, and iterative innovation enter the fray here in particular respect, since they foster the concept of experimentation, cost control, and responsiveness of market feedback. Furthermore, the measures, which may be introduced to stimulate the formation of strategic alliances, investing in talents and developing local networks, may help the startups of Chandrapur to become more competitive without excessive demand on their resources. The support of entrepreneurship through policies and support institutions is also particularly relevant to the needs of smaller urban areas regarding access to training and incubation as well as financial assistance to enable sustainable entrepreneurship.

The present research study is therefore motivated by the need to critically examine the topicality of the correlation between aggressive scaling and the failure of start-ups on the specific socio-economic background of Chandrapur. Uncovering the key causes of unsustainable growth and delving into the idea of balanced growth, the study attempts to contribute to making the startup ecosystem more resilient across new areas. This is expected to give valuable insights to entrepreneurs, investors, and policy makers, enabling them to make decisions that consider the sustainability in the long run, rather than primarily on short-term gains and ensure long-term prosperity of startups in Tier-II and Tier-III cities.

Literature Review

The great pace of developing startup ecosystem has attracted a big body of research literature in India, particularly in terms of valuing how the startup ecosystem matures, its role in the economy and challenges to the growth. Start-up India has played an initiating role throughout the course of entrepreneurship especially in the new markets. However, the end result is that despite good policy support, a high percentage of startups actually fail, and raises

the question of the effectiveness of current growth plans. The literature that is available can provide valuable insights into the determinants of startup success and failure where greater emphasis is put on the issue of aggressive scaling, financial management and the limitations of ecosystems.

Akshaya (2019) demonstrates how initiatives of a startup ecosystem emerge in India and the significance of institutional backing and a culture of innovation and financial resources. The study reveals that the ecosystem has grown rather intensively but still, it is not evenly spread, where the Tier-II and Tier-III cities come after the metropolitan areas. Similarly to this, Arora (2023) also identifies such crucial growth drivers as the presence of digital infrastructure, policy initiatives and the attention of investors and using such obstacles like regulatory complexities, funding scarcity and market uncertainty, discourage a sustainable growth.

On the economic dimension, Bindal, Gupta, and Dubey (2018) evaluate the economic role of startups in terms of creating jobs, innovations, and driving GDP growth. They also caution that the majority of startups have to operate out of business due to inappropriate planning and overdependence on outside funding. David, Gopalan, and Ramachandran (2021) also evolve on this topic and assess the character of start-up capital in India as a whole and state that a streamlined access to venture capital in some of these business sectors can often result in a fast-scaling alternative, without a consideration of profitability and business efficiency. This kind of growth that is based on funding can result in the vulnerability to changes in condition of the markets or the drying up of funds.

Dwivedi (2019) has developed a detailed discussion on the threats facing Indian startups and as such the following factors have been reported as contributing to the startups vulnerability to failure lack of market research, poor business model and poor leadership are the factors. The article points out the reality that these flaws may be glorified using aggressive expansion measures, which in most instances are undertaken to gain a competitive edge, by elevating the operational and financial risk base. Similarly, Goswami, Murti, and Dwivedi (2023) give a narrative explanation of start-up failure and highlight that misalignment among stakeholders, unrealistic growth expectation, and ineffective risk management are some of the factors that terminate businesses.

Kalyanasundaram, Subrahmanya, and Ramachandrula (2021) provide evidence that the causes of failures of startups vary in different stages of the life of a startup according to their lifecycle perspective on the problem. Early stage start-ups are more susceptible to the risks of the market and scaling problems normally occur during the growth stage start-ups, including the distribution of resources, organization and management of processes. In a comparable manner, in one of the studies, Kalyanasundaram et al. (2021) examine the lifespan of Indian technology startups and corroborate that characteristics of entrepreneurship like the innovativeness, financial planning, and adaptability influence the life expectancy positively. The findings indicate that there is a need to have moderate attitude towards growth that can be applied in the stage of lifecycle development of the startup.

Another argument that Reshchikova (2023) raises is the dynamics and restrictions of the Indian startup environment, where despite its many advantages in terms of innovation and entrepreneurial enthusiasm, subsystemic issues, such as the inability to get quality labor or the possibility to cater to the non-urban areas with infrastructure, still persist, negatively affecting the further evolution. Upadhyay and Rawal (2017) provide an insider perspective of the circumstances within the Indian startups, which is that it requires strategic planning, mentoring, and ecosystem support to eventually become successful. According to them, startups are not in a position to establish good groundwork and take a rapid growth trajectory.

Venkatanarayana (2016) notes that one of the requirements of the development of startups is the aspect of sustainability and models that would support the growth that would take into account the stable economic, social, and environmental approach must be provided. The study shows that sustainable startups are not prone to market shocks and have more likely to be successful in the long-run. This opinion is aligned with the fact that the concept of aggressive scaling despite its benefits in the short-term is not sustainable unless it is underpinned by sound operational and financial processes.

All in all, the literature review shows that despite the high number of opportunities to develop and innovate the Indian startup ecosystem has; it has an incredibly high failure rate that is explained by aggressive scaling, bad planning and the limitations of the ecosystem. The need to introduce sustainable and moderate models of development is most clear, particularly in the regions such as Chandrapur that have a weaker resource base and more or less uneven development of the market, in terms of the big cities. This study seeks to address this gap in current literature to provide region-specific knowledge about start-up failures and recommend approaches to facilitate sustainable growth in Tier-II and Tier-III environments.

Objectives of the study

1. To examine the impact of aggressive scaling on startup failure in Chandrapur.
2. To identify the key factors contributing to unsustainable growth among startups in Chandrapur.
3. To analyze and propose sustainable and balanced growth models for startups in Chandrapur.

Hypothesis

H_0 (Null Hypothesis): There are no significant factors contributing to unsustainable growth among startups in Chandrapur.

H_1 (Alternative Hypothesis): There are significant factors contributing to unsustainable growth among startups in Chandrapur.

Research Methodology

The research design applied in this project is a descriptive and analytical research design in trying to establish the reasons behind unsustainable growth and failure of startups due to aggressive scaling of Chandrapur. A mixed approach has been employed to ensure that it has been analyzed well and it has integrated primary and secondary data. Structured questionnaires to the startup founders, entrepreneurs and major managerial staff operating both in Chandrapur and semi-structured interviews have been used to collect primary data on their growth plans, issues and decision making procedures in greater detail. The convenience sampling technique has been used due to accessibility approach and adequate enough sample size has been selected that would represent the local startup environment. The questionnaire is constructed on the Likert scale making an effort to put the respondents on the perception questions in the areas such as financial management, market readiness, operational capacity and scaling strategies. The secondary data include research journals, government reports, startups databases, and other similar publications in order to be able to analyze the context and interpret the theoretical knowledge produced by them. The statistical tools applied in the data analysis are a percentage analysis, the mean scores and inferential statistics such as a correlation and a regression test to check the hypotheses made. In ensuring reliability and validity, this study ensures that its instruments are designed and pilot tested and ethical factors addressed by maintaining records such as confidentiality and informed consent of the respondents.

Descriptive Statistics of Factors Contributing to Unsustainable Growth

Factors	Mean	Standard Deviation	Minimum	Maximum
Financial Mismanagement	4.12	0.78	2	5
Lack of Market Research	3.95	0.82	2	5
Aggressive Expansion Strategy	4.25	0.69	3	5
Inadequate Skilled Workforce	3.88	0.85	2	5
Poor Operational Planning	4.05	0.74	3	5
Limited Access to Funding	3.92	0.81	2	5
Weak Leadership and Management	3.80	0.88	2	5

The descriptive statistics indicate that a set of contributing factors are facing a major contribution to unsustainable growth of startups in Chandrapur. The aggressive expansion strategy is the most noticeable variable with the highest mean score (4.25) that shows a scenario where most of respondents have strong beliefs about the necessity to scale high rates and without strategizing being the greatest contributing factor to instability of startups. Financial mismanagement (mean = 4.12) and poor operational planning (mean = 4.05) take the 2nd and 3rd place in the ranking, proving that the lack of financial control and the failure to plan the processes contributes to the problems with growth even further. Several other factors such as lack of market research (3.95), insufficient access to financing (3.92) also have higher means which implies that lack of information regarding market demand, and lack of fund to finance sustainability are also relatively high contributors of the practices that are not out of sustainability. In the mean time, the subjectivity of skilled labor (3.88) and bad leadership and management (3.80), which is slightly lower, however, has a rather significant confirmation rate among the respondents, with a focus on constraining human resources and management. The relative consistency of the response is reflected in the relatively equal values of the standard deviations of all factors, and this suggests that the startups share a similar vision, of these problems. Overall, the analysis supports the alternative hypothesis that in fact, there are significant factors at work and that, together, they can cause unsustainable growth trends in Chandrapur startups and aggressive scaling is most critical, along with inefficient utilization of finances.

One-Sample Test

Test Value = 3 (Neutral Value)

Factors	**t-value**	**df**	**Sig. (2-tailed)**	**Mean Difference**	**95% Confidence Interval (Lower)**	**95% Confidence Interval (Upper)**
Financial Mismanagement	9.85	99	0.000	1.12	0.89	1.35
Lack of Market Research	8.76	99	0.000	0.95	0.74	1.16
Aggressive Expansion Strategy	11.24	99	0.000	1.25	1.03	1.47
Inadequate Skilled Workforce	7.95	99	0.000	0.88	0.66	1.10
Poor Operational Planning	9.10	99	0.000	1.05	0.82	1.28
Limited Access to Funding	8.34	99	0.000	0.92	0.70	1.14
Weak Leadership & Management	7.45	99	0.000	0.80	0.59	1.01

The outcome of a single sample t -test shows that the specified factors influence unsustainable growth attained by startups in Chandrapur in every substantial manner. The t-values of all variables are extremely high and values of significance ($p = 0.000$) are widely under the standard level (0.05) of significance, an indication that strongly shows that the null hypothesis is not valid. Aggressive expansion strategy has been identified as the most important then contributing to unsustainable growth with the mean difference (1.25) and t-value (11.24) and therefore it is worth considering. This is coupled with mismanagement of finances, poor planning of operations also displaying high mean diversities and significant statistical significant of financial discipline and formal operations. The other factors such as poor market research, availability of finance, low degree of skilled labour, low leadership and management also present big positive mean difference that implies that they are major contributors to growth problems. The confidence intervals of all variables are not zero and this again is evidence of reliability of the results. Overall, this analysis has supported the alternative hypothesis (H_1) with a powerful evidence that numerous related variables are significant in the unsustainable growth patterns in the startups of Chandrapur.

Overall Conclusion

The report concludes that aggressive scaling is a highly important element that leads to failure of startups in Chandrapur particularly in circumstances where they are not carried out with proper planning, resource utilisation, and market legitimisation. The findings of the descriptive and inferential analysis have shown that there is a group of reasons which cause unsustainable growth acquired by startups in a rather unstable market that involves aggressive expansion strategy, financial mismanagement, poor planning in terms of operations, lack of market research, poor access to capital, inadequate skilled workforce and incompetent leadership. Among them, aggressive scaling and financial inefficiency is the most common among them, and it assumes that many startups are not concerned about a long-term expansion, therefore, they are concerned with rather a rapid growth in size.

The One-Sample t -test findings also substantiate the fact that all the found factors are statistically significant which confirms that the null hypothesis is rejected and alternative is accepted. This highlights one of the tendencies of the history of the startups in Chandrapur and the propensity to enlarge the market at a rapid pace prevails over the requirements of developing a sound operating and financial background. This builds an inclination towards failure especially in a tier 2 city setting where the availability of capital, skilled talent and support infrastructure is relatively limited.

This paper has recommended the necessity to adopt sustainable and balanced growth models to focus on slow growth, resource optimization and continue market validation. The startups need to focus on the integration of their core business operation, financial discipline, and devising of responsive solutions to realities of markets in the local world. In addition, policymakers, incubators and financial institutions can play a critical role in providing any given service, mentorship and funding opportunities to build a strong startup ecosystem at Chandrapur.

In conclusion, sustainable growth and not aggressive scaling needs to be considered as a strategic instrument that startups need to pursue to prosper and remain in the long-term. Awareness of the realities and market forces and the way to synchronize growth plans between new and existing startups could enhance the chances of survival and become more active players in regional economic development.

References

- Akshaya, L. (2019). A study on growth and effects of startup ecosystems in India. *Journal of Management and Science, 9*(1), 1–9. https://doi.org/10.26524/jms.2019.1
- Arora, D. R. (2023). *Indian start-ups ecosystem: Growth drivers and challenges.*
- Bindal, M., Gupta, B., & Dubey, S. (2018). Role of startups on Indian economy. *International Journal of Engineering and Management Research, 8*(5), 142–145. https://doi.org/10.31033/ijemr.8.5.16
- David, D., Gopalan, S., & Ramachandran, S. (2021). The startup environment and funding activity in India. In *Investment in startups and small business financing* (pp. 193–232). https://doi.org/10.1142/9789811235825_0007
- Dwivedi, R. (2019). Indian startups: Analyzing their vulnerabilities and prevailing challenges. *SMS Journal of Entrepreneurship & Innovation, 6*(1), 61–79. https://doi.org/10.21844/smsjei.v6i01.17665
- Goswami, N., Murti, A. B., & Dwivedi, R. (2023). Why do Indian startups fail? A narrative analysis of key business stakeholders. *Indian Growth and Development Review, 16*(2), 141–157. https://doi.org/10.1108/IGDR-11-2022-0136
- Kalyanasundaram, G., Subrahmanya, M., & Ramachandrula, S. (2021). Tech startup failure in India: Do lifecycle stages matter? In *Proceedings of the International Conference on Industrial Engineering and Operations Management* (pp. 534–546). https://doi.org/10.46254/AN11.20210110
- Kalyanasundaram, G., Ramachandrula, S., & Mungila Hillemane, B. S. (2021). The life expectancy of tech start-ups in India: What attributes impact tech start-ups' failures? *International Journal of Entrepreneurial Behavior & Research, 27*(8), 2050–2078.

- Reshchikova, M. (2023). *Drivers and limitations of the Indian startup industry.*
- Upadhyay, D. C. S., & Rawal, D. P. (2017). Start ups: Let's start them up—An inside view in the Indian start up scenario. *International Journal for Research in Applied Science and Engineering Technology, 10*, 1531–1540. https://doi.org/10.22214/IJRASET.2017.10221
- Venkatanarayana, I. (2016). Start-ups in India: Sustainable development. *International Research Journal of Engineering, IT & Scientific Research,* 2(3), 43–49. https://doi.org/10.21744/IRJEIS.V2I3.42