

Barriers and Catalysts of Entrepreneurial Success in the Hospitality Industry: A Mixed-Method Analysis

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Abstract

Background: The hospitality sector, a significant global economic driver, faces numerous challenges including regulatory hurdles, financial constraints and workforce shortages, particularly in developing economies like India. Understanding the factors influencing entrepreneurial success in this sector is crucial for fostering sustainable growth. **Objectives:** This study aims to identify key barriers and catalysts affecting entrepreneurial activities in the hospitality industry and to analyse the internal factors such as entrepreneur's diverse socio-economic and professional backgrounds that influences their journey and growth. **Methodology:** A mixed-method approach was employed, combining quantitative and qualitative data collection. An online survey with 11 closed-ended questions was distributed to 150 entrepreneurs in Mumbai and surrounding areas, resulting in 82 responses (55% response rate). Data collection technique used was convenience sampling. Additionally, in-depth interviews were conducted with 10 selected entrepreneurs. Quantitative data was analysed using descriptive statistics, while qualitative data was analysed through thematic analysis. **Results:** The study revealed that middle-level professionals with family business backgrounds are key drivers of entrepreneurship. 83% of respondents planned business expansion, with scalable ventures like cafes and food outlets being preferred due to lower capital requirements. 89% of respondents agreed that small businesses significantly enhance tourism. 63% agreed that management education develops business skills, but only a minority believed it adequately fosters creativity and innovation. 84% of respondents were flexible to relocate for business. **Conclusion:** The research highlights the critical role of family background, practical experience and adaptability in entrepreneurial success within the hospitality industry. While management education provides foundational skills, there is a need for enhanced focus on creativity and innovation. Government support, financial accessibility and infrastructure development are essential to mitigate barriers and foster a resilient entrepreneurial ecosystem.

Keywords: Entrepreneurs, hospitality, entrepreneurial barriers, government incentives, workforce challenge

Introduction

The hospitality sector supports almost 300 million jobs a year and accounts for roughly 10% of the global GDP, making it a pillar of economic growth (Tesso, 2020). Nonetheless, the industry has particular difficulties, such as shifting customer preferences, environmental issues and economic volatility. With more than 70% of companies worldwide reporting significant operational delays, the COVID-19 pandemic brought attention to the hospitality industry's vulnerabilities

(Aigbedo, 2021). Gaining insight from entrepreneurs' crisis management techniques can help develop resilience-building tactics that will better prepare companies to face setbacks in the future and maintain long-term sustainability (Nayab & Dahl, 2023). Entrepreneurial ventures in India and globally face significant challenges, particularly in the hospitality and tourism sectors. Globally, the start up failure rate is close to 90%, with only 10% to 20% achieving long-term

success (Kumar, 2024). In India, the scenario is similarly challenging; a study by the Institute of Business Value and Oxford Economics found that 90% of Indian start-ups fail within the first five years of inception (Chauhan, 2021).

Specifically, the hospitality and tourism sector has grown significantly, with the global hospitality market growing at a compound annual growth rate (CAGR) of 7.0% from \$4,390.59 billion in 2022 to \$4,699.57 billion in 2023, according to the Hospitality Global Market Report 2023 (EHL Insights, 2024). The hotel sector in India has shown resilient and has room to grow. A favourable forecast for 2024 is indicated by the HVS India Hospitality Industry Overview 2023, which analyses important indicators such as sector performance measures, brand agreements and openings (HVS Overview, 2023). The industry has issues like a high attrition rate and a workforce deficit of over 60%, which might affect operational efficiency, despite the encouraging expansion (Dychtewald et al., 2006). These factors contribute to the complexities entrepreneurs encounter when establishing and sustaining ventures in the hospitality and tourism market. A report by IBEF (2023) notes that setting up a mid-range hospitality project often necessitates an investment of ₹50–₹75 lakh, as a result it is hard for small-scale entrepreneurs to enter the market. Infrastructure inadequacies further compound these challenges. A 2022 report by the Ministry of Tourism emphasizes the need for better roads, airports and public amenities to support tourism growth, particularly in less-developed regions. Seasonal fluctuations in demand also create financial instability for businesses. According to a 2023 survey by the Indian Association of Tour Operators, off-season occupancy rates often plummet below 30%, making it hard for smaller ventures to maintain steady revenue throughout the year (India Tourism Statistics, 2022).

On the positive side, technological advancements have acted as strong catalysts for entrepreneurial growth. Digital platforms such as MakeMyTrip and Airbnb have widened market access, with Statista reporting a 48% penetration of online travel bookings in 2022 (Kathuria et al., 2021). Government initiatives like the “Dekho Apna Desh” campaign and tax benefits under the “Swadesh Darshan” scheme further encourage entrepreneurs by reducing operational costs and promoting niche tourism segments such as eco-tourism and heritage tourism. (Bhamango et al., 2024). Segments like wellness tourism, adventure tourism and culinary tourism are seeing robust growth.

According to Federation of Indian Chambers of Commerce and Industry (FICCI’s) 2023 report, wellness tourism alone has been growing at an annual rate of 35%, demonstrating the potential for entrepreneurs to carve out unique niches. However, competition from unorganized players remains a significant barrier. A 2023 report by the National Council of Applied Economic Research reveals that unregistered accommodations and travel operators dominate 50% of the market, undercutting formal ventures and affecting their pricing strategies (Doctorow & Giblin, 2022).

Workforce challenges further complicate the scenario. A 2023 study by the Indian Tourism and Hospitality Skill Council found that 60% of small ventures face difficulties in hiring adequately trained staff, which often results in compromised service quality. Despite these barriers, rising domestic tourism provides a silver lining. The Ministry of Tourism reported a 20% surge in domestic travel in 2023, driven by increased disposable income and a post-pandemic travel boom. Entrepreneurs focusing on middle-class travellers and innovative tourism models stand to benefit significantly from this trend (Ministry of Tourism, 2023).

Entrepreneurship holds immense significance as it fosters social change and drives innovation, making it a critical asset for any nation. Entrepreneurs are considered national treasures, capable of revolutionizing how one lives and work on both local and national scales (Elkington & Hartigan, 2008). Their innovations can elevate living standards, generate wealth, create jobs and stimulate economic growth. Entrepreneurship involves efficiently utilizing unutilized resources, labor and capital, taking risks for profit and even addressing societal challenges through social entrepreneurship (Ayres & Warr, 2009). This dynamic process contributes to societal transformation and improved well-being, underscoring the need to cultivate and support entrepreneurial endeavours.

Entrepreneurs play a pivotal role in economic growth by introducing new products and services that can create cascading effects across related industries (Dhaliwal, 2016). For instance, the IT industry in India during the 1990s spurred the growth of associated sectors such as call centres, network maintenance and hardware providers, alongside educational and training institutes. This led to better job opportunities and higher incomes. Entrepreneurial ventures contribute significantly to national income by generating new wealth.

Unlike established businesses that may hit a growth ceiling, entrepreneurs develop new markets and create opportunities for wealth generation (Peng, 2001). Entrepreneurship also fosters economic independence, knowledge spillovers and inspires others to pursue entrepreneurial ventures (Samila & Sorenson, 2011). Entrepreneurs organize society's productive resources, introduce new products, develop advanced production techniques and increase enterprise diversity, making them invaluable to economic and societal development (Yuan & Zhang, 2024). Entrepreneurship fosters social change by offering unique products, reducing reliance on outdated technologies, improving quality of life, economic freedom and community development, while fostering innovation and competitive pricing (Stiglitz, 2024).

Despite its benefits, entrepreneurship faces numerous challenges, prompting governments to launch initiatives such as "Make in India" to support entrepreneurial growth. Entrepreneurs often grapple with cash flow management, time constraints, employee recruitment, product selection and task delegation (Ghazi et al., 2024). Effective planning, budgeting and setting clear goals can help manage cash flow and time efficiently. High stress levels can lead to declining productivity, absenteeism, employee turnover and legal disputes (Tunio, 2025). Employees facing excessive workloads or low morale often experience physical and mental health issues, reducing their efficiency and job satisfaction. Businesses may incur increased recruitment and training costs due to frequent employee turnover (Opatha, 2025). To address these challenges, businesses should implement stress management programs, reassess workloads and foster a supportive work environment.

Ultimately, entrepreneurship is a cornerstone of economic and societal progress, driving innovation, fostering social change and improving living standards. According to a 2018 report by the Ministry of Tourism, there was a demand for 170,000 rooms against an availability of 125,000, highlighting opportunities for entrepreneurs to bridge this gap. The implications of these entrepreneurial endeavours are significant. The Indian hospitality industry was valued at USD 251 billion in 2023, driven by increasing tourism, economic growth and evolving consumer preferences (Zada et al., 2025).

This study focuses on identifying key risks that the hospitality business of various various scales face on a

regular basis and explore the proactive strategies to mitigate those, by understanding entrepreneurial responses to crises. Businesses can minimize financial losses and protect their reputation during unforeseen events if they have set of contingency plans ready for different scenarios. Also, crises often drive innovation. By analysing how entrepreneurs adapt to challenges, the study highlights creative solutions that are out of box and one of its kind. Overall, this study offers valuable insights for entrepreneurs in carving a pathway to success, policymakers in designing regulations and incentives that support sustainable and resilient entrepreneurship and stakeholders, advancing the hospitality sector's economic, social and environmental progress.

Objectives

- To identify key barriers and evaluate their influence on entrepreneurial activities in the hospitality sector.
- To evaluate the influence of positive catalyst on entrepreneurial growth.
- To analyse the internal factors such as entrepreneur's diverse socio-economic and professional backgrounds influences their journey and growth.

Methodology

Research Design: Mixed-method approach combining qualitative and quantitative methods was used for the work.

Locale: The research was done in Mumbai and surrounding areas inside Maharashtra, India.

Sampling Design: Non-probability, convenient sampling method was used to choose entrepreneurs specific to hospitality and tourism industry across different hospitality sectors such as hotels, cafes, restaurants, travel agents and tour operators etc. 150 samples were approached with the online question papers. Finally, 82 responses were collected making the response percentage 55%.

Tools and Technique: The quantitative data was collected through an online survey inclusive of 11 closed ended questions. In-depth interviews of selected 10 entrepreneurs was done later on to capture detailed insight.

Data Analysis and Statistical Analysis: Thematic analysis for qualitative data was performed and percentage was used for analysing the quantitative data.

Results and Discussion

Major Barriers to Start a Business: Regarding this 73% respondents (Table 3) selected the issue of availability of capital, only 18% has selected availability of labour. According to 24% family background has caused an issue while starting their business, matching with the fact that only 29% participating entrepreneurs were from non-business families. Fear of failure has acted as a negative factor for 61% of the respondents while starting their business, showcasing the self-inflicted psychological barrier associated with entrepreneurship. Relocation flexibility as another critical factor, shows that 84% of respondents stated they were willing to move for business opportunities, while for the rest relocation flexibility is a psychological barrier. 51% respondents have faced situational barriers specific to their business while running their operations. However, as per Samila and Sorenson (2011) entrepreneurship fosters economic independence, knowledge spillovers and inspires others to pursue entrepreneurial ventures. Additionally, when faced with business challenges, a considerable number of entrepreneurs considered returning to a salaried job, with 20% saying their decision would depend on circumstances.

Table1: Demographic Details of the Sample

Variable	Options	Frequency	Percentage
Gender	Female	11	13
	Male	71	87
Age	(Age range 25-35 years)	13	16
		24	29
	(Age range 36-45 years)	27	33
		18	22
Age of their Business	less than 5 years	29	36
	5 Years & more	53	64

Table 2: Research Questions and Findings

Question	Options	Frequency	Percentage
Do you have industry experience before starting your own business? If yes, at what level?	Top Management	3	5
	Middle Management	51	62
	Supervisory Level	18	22
	Associate Level	10	11

Do you have any business background (family involvement in business)?	Yes	58	71
	No	24	29
Does the present management education system require change to develop entrepreneurial qualities?	Yes	60	73
	Neutral	15	18
	No	7	9
At what age do you want to or started your business/venture?	20-23 years	25	30
	23-30 years	47	57
	31-40 years	7	9
	Above 40 years	3	4
Are you thinking of diversion/expansion of your business?	Yes	68	83
	No	14	17
Does the present management education system develop business skills in students?	Yes	52	63
	Neutral	22	27
	No	8	10
Does the present management education system train students to manage others' businesses (existing business)?	Yes	58	71
	Neutral	13	15
	No	11	14
Does the education system develop qualities like creativity, innovativeness, dignity for labor, etc.?	Yes	21	26
	Neutral	29	35
	No	32	39
Rate the influence of factors/barriers on entrepreneurial activities. (multiple factors can be chosen)	Availability of capital	60	73
		15	18
	Availability of labour	20	24
	Family background	50	61
	Fear of failure	42	51
After starting your own business, do you think of re-joining a salaried job?	Yes	35	43
	At Times	16	20
Is your family background strong enough to support business investments?	No	31	38
	Sufficient	30	36
	Neutral	41	50
Were you flexible to move anywhere and leave your native place for your business?	Insufficient	11	14
	Yes	69	84
	No	13	16

Catalysts of Entrepreneurial Success: On the other hand, while focussing on this survey revealed that most of the individuals (71%) who grew up in business-oriented families either continue their family legacy or start a new venture based on their experience. This indicates socio-economic background is playing a great role in starting a new business. Moreover, 36% respondents who have received sufficient

family support in their business investments surely had a head start compared to their other counterpart. Also, most entrepreneurs in the hospitality sector had middle-level industry experience before starting their businesses, with only 5% having top-level experience. This indicates that the experience of a middle management employee makes them more inclined toward entrepreneurship, whereas those who reaches to the comfort of higher positions prefer to continue with their corporate careers. Management education also acts as a positive catalyst in the development of business skills. While 63% believed it helps develop business skills, 71% agreed that it effectively trains students to manage businesses. The study also explored the age factor in starting a business, with the majority launching their ventures between 23-28 years.

Biggest Challenges for Starting and Growing Business in the Hospitality Sector: In-depth interview was conducted to analyse the internal factors such as entrepreneur's diverse socio-economic and professional backgrounds influences their journey and growth. During the discussion about challenges financial constraints emerged as a predominant issue majority times with many respondents indicating difficulty in securing funding due to stringent bank requirements for collateral, high initial cost, higher operational cost and longer breakeven point. Moreover, complexities involving licences and related bureaucratic red-tape was mentioned by five respondents. Absence of adequate skilled labour and high employee turnover in the hospitality sector was seen as a persistent issue that has been discussed again and again. Market saturation was mentioned as an issue by two respondents.

Factors or Support System that Positively Influence Business Growth: 80% of the respondents mentioned their professional network as a positive catalyst for their business. Educational background was mentioned by 60% respondents for its significant impact. During survey 83% of entrepreneurs expressed a desire of business expansion. During in-depth interview 40% mentioned the positive impact of digital platforms in one way or another. Two mentioned their expansion and diversification idea based on expanding locations, increasing online marketing efforts, forming alliances, or leveraging digital platforms. However, respondents also emphasized that factors like a strong business idea, expertise and work ethic play a more significant role than external catalysts.

Strategies to Overcome Challenges and Sustain Growth in Business: The recurring theme of answers for the above question has been focused on personalized customer experiences, investment in stronger supplier relationships, cost-effective operations and consistent service quality. Staff training and long term retention plans are identified as a key strategic approach by two respondents for service consistency and brand value building. Lastly, digital adaptation, i.e. online booking / ordering platforms and social media promotion, has become crucial growth factors.

Business Preferences for Hotel Industry Entrepreneurs: The responses to the question regarding preferred business types in the hotel industry show varied interests among potential entrepreneurs. While some aspired to open cafes or lounges, others were interested in starting their own hotel. The survey indicated that the majority favoured opening outlets, reflecting the practicality and scalability of this business type, often influenced by the available capital. Opening an outlet requires comparatively lower initial investment and offers flexibility in location and scale.

Impact of Small Businesses in Tourism Growth: The majority of respondents (89%) agreed that small businesses, such as adventure sports operators and authentic food vendors, significantly enhance regional tourism. These ventures attract tourists by offering unique experiences and essential services. Adventure sports activities provide excitement and engagement, while food stalls offer a taste of local cuisine, creating lasting impressions. The results of the in-depth interview are similar to the report of FICCI (2023) which mentions that wellness tourism alone has grown at an annual rate of 35%, demonstrating the potential for entrepreneurs to carve out unique niches.

Conclusion

The research highlights key factors influencing entrepreneurship and the hospitality industry. Middle-level professionals are more likely to pursue entrepreneurship, often supported by a family business background. While the current management education system provides essential business skills, it lacks emphasis on creativity and innovation crucial for entrepreneurial growth. Entrepreneurs typically start their ventures between 23–28 years, showing that motivation often aligns with early career stages. Expansion and diversification are prioritized by most, reflecting a growth-driven mindset, although situational barriers such as capital and labor play

a significant role. Flexibility in relocating for business opportunities is a key entrepreneurial trait.

The findings highlight the multifaceted nature of entrepreneurship in the hospitality sector, with financial constraints, regulatory hurdles and workforce challenges emerging as primary barriers. Despite these difficulties, professional networks, educational backgrounds and digital platforms have played a crucial role in business growth, with many entrepreneurs aiming for expansion. Personalized customer experiences, supplier relationships and digital adaptation were the key strategies employed to sustain growth. Business preferences varied, with many favouring scalable models such as outlets, while others aspired to establish cafes or hotels. Additionally, small businesses were widely acknowledged as vital contributors to tourism growth, enhancing regional appeal through unique offerings. These insights underscore the dynamic interplay of internal and external factors in shaping entrepreneurial success in hospitality.

To foster entrepreneurial success in the hospitality industry, businesses should support middle-level professionals transitioning into entrepreneurship by offering structured programs and networking opportunities. Encouraging partnerships between hotels and local businesses can boost regional economic growth while also providing unique experiences for tourists. Financial institutions should collaborate with industries to create funding opportunities tailored to first-time entrepreneurs, ensuring accessibility to capital. Additionally, companies should provide guidance on business diversification to help entrepreneurs scale their operations effectively.

Academia plays a crucial role in shaping future entrepreneurs by revising entrepreneurship education to incorporate real-world business challenges. Universities should emphasize innovation-focused training, strengthening creativity and adaptability among students. Hands-on learning through incubators, simulations and internships can significantly improve practical business skills. Financial literacy programs should be integrated into hospitality education to equip students with essential investment and capital management skills. Collaborations between universities and industry leaders can facilitate mentorship programs, fostering a seamless transition from education to entrepreneurship.

Last but not the least the government support must include startup-friendly policies, tax benefits and low-interest loans, business-friendly infrastructure, affordable commercial spaces and digital platforms, special training programs for individuals from non-business backgrounds. Supporting local artisans and tourism-driven businesses will contribute to economic sustainability while boosting labour mobility. By implementing these measures, the industry, academia and government can collectively strengthen the entrepreneurial ecosystem in the industry.

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