

A STUDY ON IMPACT OF COVID-19 ON STARTUPS IN INDIA

Ishani Goyal^{1*}

Abstract

The Indian government has launched an effort called Startup India to encourage the development of new businesses in the country. These businesses may get enough financing and assistance in the early stages of their development, but they ultimately must depend on the backing of their existing customers. Startup businesses in India confront a wide range of marketing and financial problems. The purpose of this study is to examine the numerous difficulties encountered by new companies, particularly after the conclusion of Covid-19. The rapid onset of this devastating epidemic has had wide-ranging effects on society and the economy across the globe. Start-ups have created a large number of jobs in the past decade. New markets and possibilities have been discovered by start-ups, changing the way business is viewed. Smart innovation and sheer genius have displaced the once-dominant giants of commerce and different sectors. It is only logical that the effects of the Covid-19 epidemic on the start-up sector be scrutinized more carefully. In order to create better regulations, it's important to look into the effect of the Covid-19 epidemic on the start-up sector.

Keywords: start-ups, innovation, industry, pandemic, covid-19

1. Introduction

In recent years, the development and acceptance of Indian startups has accelerated. This fad has inspired a large number of small business owners throughout the country to start their own businesses. Another important factor in this expansion has been the massive inflow of capital into industries like e-commerce, taxi/cab, retailing, food technology, and so on in the past five years. [1]

* ISBN No. 978-81-953278-7-4

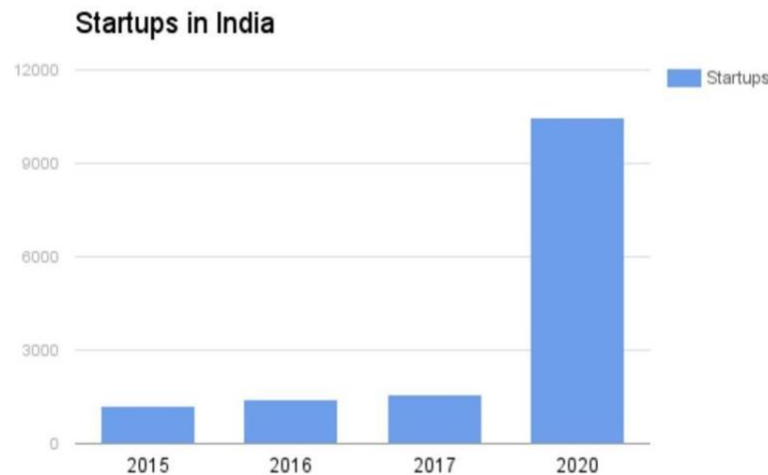


Figure 1: Startups in India

COVID-19 is both a public medical and socioeconomic security issue. In order to stop the spread of the virus, companies across the world were forced to shut down. This posed many unique and fundamental difficulties for new enterprises. [2]

Nearly every industry has been affected by the COVID-19 epidemic, but IT companies have been hit particularly hard. Because venture capital financing has grown more selective, businesses that rely on a continuous flow of money may be at a disadvantage. Existing clients are either unable or unwilling to pay on time for certain companies, resulting in drastic income losses. [3] Because potential consumers are cutting back, sales are falling short of pre-COVID-19 financial expectations. Some companies have been unable to produce or sell their products due to supply chain interruptions, while commercial landlords have taken strong stances on rent even if most staff works remotely. To top it all off, insurers have been reluctant to pay out on claims based on events outside their control. [4]

However, things haven't been as terrible as they seem. Tech companies, on the other hand, are well-positioned to make the transition to remote working arrangements. In addition, businesses that provide internet services, cloud infrastructure, including automation technologies have profited directly from the outage. Demand for disruptive and cutting-edge services might rise as a result of COVID-19. Since then, a number of technology companies have shifted their focus to developing COVID-19-related solutions and technologies. [5]

1.1. Startup in India

Since the Honorable Prime Minister launched the initiative on January 16th, 2016, many initiatives have been implemented to help him realize his goal of making India a nation of job creators rather than job seekers. Through the Startup India initiative, startups have been acknowledged and also many

Recent Trends In Commerce & Management : Innovations & Updates

entrepreneurs have reaped the advantages of establishing their own company in India. Such initiatives have sparked the startup culture.[6]

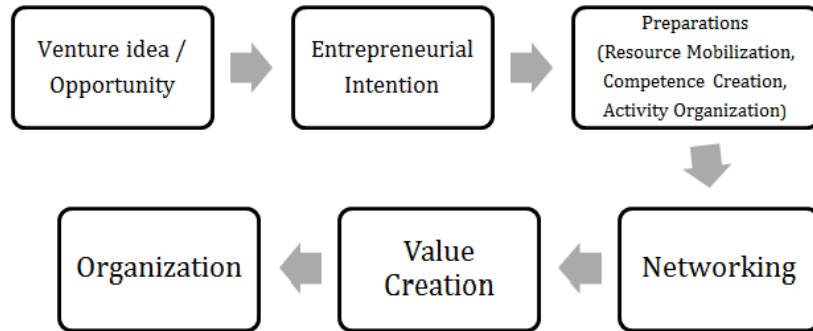


Figure 2: Process of startup creation

Stages of the Startup Lifecycle

1. Pre-startup: Identification of a scalable product or service concept for a large enough target market and validation of the found service or product reach the market, searching for the first customers willing to pay for it.

2. Startup: Maintenance is accomplished by maximising advantages and addressing issues that have arisen as a result of the company's worldwide expansion. If you decide to sell your business to a behemoth, you'll have to decide whether or not to purchase the enormous resources the company will need to keep expanding.

3. Growth: Effectiveness of startups occurs when the founder starts defining the company's business strategy and looking for new methods to reach potential customers. This stage accelerates the company's development while also improving its ability to expand sustainably.

Startup means that the entity is not more than five years old, with an annual turnover of Rupees 25 Crores or less in any previous financial year, and is working on the innovation, advancement, deployment or commercialization of new goods or services that are based on technology or intellectual property. This seems to be an Indian startup. [7] Key Points of Start-up:

- Even with a mobile app it is possible to achieve single-window clearance
- Reduction in patent registration fees of 80 percent and creation of \$10 billion in new funding
- A more user-friendly Bankruptcy Code with a 90-day window of opportunity
- Three-year exemption from perplexing inspections
- For three years, there is no capital gains tax;
- There is no profit tax; and
- There is no red tape.
- Compliance with self-certification
- Atal Innovation Mission's innovation centre

Benefits of Start-up Scheme:

- Skilling India
- MUDRA programme

Ishani Goyal

- Presumptive taxation scheme
- Corporate tax for small companies service tax exemption
- Rs. 500 crore to assist SC/ST and women businesses
- No tax on startup income
- Capital gains and ARCs
- One-day incorporation

1.2. Startups During Covid-19 Pandemic

Start-ups have played an important role for economies throughout the coronavirus (COVID-19) crisis. When the pandemic hit, several forward-thinking start-ups were quick to respond with new medical products and services, and they were instrumental in helping many nations make the transition to a digital-only economy that includes employment, education, and healthcare.[8]

One example is the adaptation of commercial products (such as snorkeling masks for oxygen provision in hospitals); the launch of an array of digital health services, such as COVID-19 trackers, remote patient monitoring as well as remote consultation equipment; the introduction of "no-contact" food delivery; as well as the provision of artificial intelligence solutions for researchers and scientists, remote working tools or online learning as well as entertainment, in some cases offered free of charge..

Despite the fact that the COVID-19 epidemic has been and will continue to be a major problem for the startup environment, the present situation may also offer possibilities in the short and long term. [9]

In times of crisis, there are important possibilities for start-ups: There will be long-term consequences for employment and creativity from the COVID-19 problem that may be addressed by supporting current start-ups and creating new companies today, thereby minimizing the negative impacts mentioned before. As a result of recessions, companies typically undergo greater restructuring, which may contribute to the economy being stronger and more resilient.

Society, consumer habits, and requirements may be permanently altered as a result of the COVID-19 pandemic. This may open up new economic possibilities for startups that can adapt quickly enough to take advantage of these changes. It's possible that in the medium term, demand for services like remote working, e-commerce, educational, as well as health care may shift. [10]

2. Literature Review

Various studies which address the issues of Startup companies in India are considered for the review of literature.

[1] To assess the significant impact of Covid-19 on European start-up businesses and to show some practical suggestions for re-energizing the economy, this report was created. The rapid onset of this devastating epidemic has had wide-ranging effects on society and the economy across the globe. Because

Recent Trends In Commerce & Management : Innovations & Updates

secondary data will be used, this study will look at various perceptions of economic decline in European nations and different sectors throughout Europe. Start-ups have created a large number of jobs in the past decade. New markets and possibilities have been discovered by start-ups, changing the way business is viewed. Smart innovation and sheer genius have displaced the once-dominant giants of commerce and different sectors. As a result, the effects of the Corona epidemic on the start-up sector should be scrutinized more closely. In order to create better regulations, it's important to look into the effect of the Covid-19 epidemic on the start-up sector. These findings will help researchers better understand how Covid-19 will affect Europe's start-up sector. The report will also conduct a comprehensive analysis of the different governments' strategies for re-energizing the industry.

[2] Starting an EdTech company seems to be the new normal these days, but the COVID-19 epidemic has had a detrimental effect on companies and start-ups. Before COVID-19, the Edtech Market in India had a projected growth of 2.8-3.2 billion students by 2022, according to the Edtech Market's forecast. Grades K-12, Test Preparation, and Skill Building Courses are mostly responsible for this growth. Thus, platforms such as Coursera (up 6 percent), Udemy (7 percent), and Byju's experienced a rise of 3 percent and seem to be growing every month. Digital marketing and data science are two of the courses that have seen the most growth in enrollments.

[3] The Indian government has launched an effort called Startup India to encourage the development of new businesses in the country. Such businesses may get enough financing and assistance in the early stages of their development, but they ultimately must depend on the backing of their existing customers. Startup businesses in India confront a wide range of marketing and financial problems. The paper's goal is to learn about the difficulties that startups encounter by surveying the company's founders and owners. The solutions to the marketing problems may also be offered.

[4] Between March 28 and April 4, 2020, we surveyed more than 5,800 small companies to learn about the effect of coronavirus illness 2019 (COVID-19). There were a number of common threads that developed. After just a few weeks into the financial crisis, companies began to lay off workers and close. Second, the likelihood of a shutdown was inversely proportional to how long people anticipated the crisis to last. Furthermore, companies' expectations for the length of COVID-related interruptions varied significantly. A third issue is the financial fragility of many small businesses: The typical company with monthly expenditures above \$10,000 had just two weeks' worth of cash on hand when the study was conducted. CARES Act financing would be sought by the vast majority of companies, according to the CARES Act's supporters. Many people, on the other hand, were concerned about obstacles to participation in the programme, such as red tape and difficulty proving eligibility. We also examine the take-up rates and business resilience impacts of loans in comparison to grant-based programmes using experimental variation.

[5] Between March 28 and April 4, 2020, we surveyed more than 5,800 small companies to learn about the effect of COVID on them. There were a number of common threads that developed. After only a few weeks into the financial crisis, massive layoffs and closures had already taken place. Furthermore, the likelihood of a shutdown was inversely proportional to how long people anticipated the crisis to last. Furthermore, companies' expectations for the length of COVID-related interruptions varied significantly.

To make matters worse, the typical small company with monthly expenditures above \$10,000 had just two weeks' worth of cash on hand at the time of the study. Fourth, the vast majority of companies intended to use the CARES legislation as a financing source. Many people, on the other hand, were concerned about obstacles to participation in the programme, such as red tape and difficulty proving eligibility. We also examine the take-up rates and business resilience impacts of loans in comparison to grant-based programmes using experimental variation.

[6] Many areas of the globe have been more interested in startups in the last few years. The number of startups has risen rapidly in India, and there is now greater assistance available on all fronts. The purpose of this paper is to offer knowledge of the growth drivers and motivations of Indian startup owners, to highlight difficulties that these companies face, as well as to describe the pillars in place that assist them. Interviews with entrepreneurs, investors, and representatives of support organisations provided the data for the study. The results are further strengthened by a review of relevant literature.

3. CONCLUSION

It is very difficult to do business in India due to the fact that the market is disorganized and poorly coordinated. Policy motivations are not clear and transparent, and there are no reliable communications channels. To be successful, startups need a mix of favourable operational, regulatory, and taxes problems, all of which have a significant impact on the way businesses operate. The government, large corporations, and educational institutions should all work together to foster an entrepreneurial spirit in India. The government and colleges should establish mentorship programmes, essay contests, workshops, and lectures. From a broad perspective, India's startup ecosystems have enormous potential for development. The world's attention is focused on India since it has the biggest venture pie.

To be successful, startups need a mix of favourable operational, regulatory, and taxes problems, all of which have a significant impact on the way businesses operate. The government, large corporations, and educational institutions must all work together to foster an entrepreneurial spirit in India. The government as well as colleges should establish mentorship programmes, essay contests, workshops, and lectures. From a broad perspective, India's startup ecosystems have enormous potential for development. The world's attention is focused on India since it has the biggest venture pie.

References

- [1] S. Kalogiannidis and F. Chatzitheodoridis, "Impact of Covid-19 in the European Start-ups Business and the Idea to Re-energise the Economy," *Int. J. Financ. Res.*, vol. 12, no. 2, p. 55, 2021, doi: 10.5430/ijfr.v12n2p55.
- [2] R. Banerjee, "ACADEMIA Letters," *Acad. Lett.*, no. August, pp. 1–4, 2021.
- [3] S. Sharma, M. Raj, and T. Gandhi, "Challenges and Issues Faced by Startup Companies in India," 2020.
- [4] A. W. Bartik, M. Bertrand, Z. Cullen, E. L. Glaeser, M. Luca, and C. Stanton, "The impact of COVID-19 on small business outcomes and expectations," *Proc. Natl. Acad. Sci. U. S. A.*, vol. 117, no. 30, pp. 17656–

Recent Trends In Commerce & Management : Innovations & Updates

- 17666, 2020, doi: 10.1073/pnas.2006991117.
- [5] A. Bartik, M. Bertrand, Z. B. Cullen, E. L. Glaeser, M. Luca, and C. Stanton, “The impact of COVID-19 on small business outcomes and expectations [El impacto del COVID-19 en pequeñas empresas respuestas y expectativas],” *Proc. Natl. Acad. Sci. U. S. A.*, vol. 117, no. 30, pp. 1–41, 2020.
 - [6] S. Korreck, *The Indian Startup Ecosystem: Drivers, Challenges and Pillars of Support*, no. September. 2019.
 - [7] S. Jain, “Growth of startup ecosystems in India’,” *Int. J. Appl. Res. Stud.*, vol. 2, no. 12, p. 152, 2018.
 - [8] N. K. Pandey, “An analysis of startup ecosystem in metropolitan city in India,” *Int. J. Eng. Manag. Res.*, vol. 8, no. 02, pp. 237–244, 2018, doi: 10.31033/ijemr.v8i02.12029.
 - [9] P. K. K. Punjani, “a Case Study on the Food Tech Start-Up in India Overview / Anlysis,” pp. 1–8, 2018.
 - [10] U. Andaleeb and S. Singh, “A study of Financing Sources for Start-up Companies in India,” *Int. Rev. Bus. Financ.*, vol. 8, no. 1, pp. 1–4, 2016.