



AN EXPLORATORY STUDY ON START-UPS OPPORTUNITIES AND CHALLENGES IN THE CONTEXT OF COVID-19

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Abstract

Start-ups may be small companies but they can play a significant role in economic growth. They create more jobs which means more employment, and more employment means an improved economy. Not only that, start-ups can also contribute to economic dynamism by spurring innovation and injecting competition. New entrepreneurs can bring new ideas to the table, much needed to stir innovation and generate competition. Since 2014, startups have collectively raised \$50 billion across 3,700+ deals. There are 250+ quality accelerator-incubator systems, and about 500 institutional and 2,000 active investors. The ecosystem has already yielded 500+ acquisitions and created 750,000 jobs. Bengaluru, Mumbai, and Delhi-NCR house 50 percent of all active startups, and have emerged as global players. The coronavirus pandemic is broadly affecting businesses globally, but it is affecting start-ups particularly hard. In India and around the world, the impact of the coronavirus pandemic is not limited to a few sectors but is evident across all stakeholders of the economy. Secondary data collected from various websites, journals, newspaper articles etc. This paper highlights the opportunities and challenges of start-ups in India in the context of covid-19.

Keywords: Start-ups, Covid-19, Entrepreneurs, Impact, Economy and Challenges.

Introduction

Start-ups have a direct-impact on the cities that they make their homes. Infosys has changed Bangalore, Alibaba impacted Hangzhou, Microsoft changed Redmond and Google transformed Mountain View, California. All these companies started small, but as they grew, they transformed the cities where they operated. They improved employment patterns providing job opportunities to both experienced and young professionals. This led to surge in inflow of graduates and relocation of experienced professionals from different cities. Many Silicon Valley start-ups will miss out on \$350 billion loans offered by the Small Business Administration. In some cases, entities with the same venture capital investor are lumped together, pushing them above the 500-employee threshold to receive assistance. It pressures them to sell to the biggest players like Google during this pandemic.

Review of Literature

Christopher A Pissarides (2001) in his paper studied that the role of company starts up costs for employment performance. This paper is highly theoretical one. The conclusion is the factors that can explain the differences in Labour Market performance are structural and should be sought in the institutional structures of the countries. **Omid Sharifi, Bentolhoda Karbalaei Hossain (2015)** in their paper stated that the various financial challenges faced by the Startups in India. It also depicts the difficulties faced by the start-ups at the initial stage. The major findings are major leap in technology have led investors to raise the bar in terms of how much leg work entrepreneurs are expected to do before even pitching their companies.

Dr. Meenakshi Bindal, Dr. Bhuwan Gupta and Sweety Dubey (2018) discussed about the role of start-ups in Indian Economy. This paper highlights about the awareness about Startups in the light of recent changes announced by the Government. The government must help start-ups promote themselves, not just in India but across the globe, as well as create policies that are start-up friendly so that Indian start-ups get a major boost and they can further create better employment opportunities for the youth of the nation.

V. Ambika, K. Rajeswari R. Saranya (2019) highlighted about the startups on Indian Economic Growth While in the country like India, government alone cannot fulfil the employment opportunities. Individuals need to come forward to help themselves, given the viable business atmosphere by the government. Adam Smith, an 18th century economist and author, in his book Wealth of Nations has talked about the "Invisible Hand" that Individuals pursuing their best self Interest would result in greater overall good to the society.

Dr. Gopaldas Pawan Kumar (2018) discussed about the Indian start-ups issues, challenges and opportunities, the paper discusses few issues and challenges that an Indian startup has to face and the opportunities that the country can provide in the current ecosystem. The start-up area has lot of challenges from finance to human resources and from launch to sustaining the growth with tenacity. The country with a huge population has large of opportunities in many start-ups like food, IT, retail and hygiene to solar.

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Abhrajit Sarkar Startup India- A New Paradigm for Young Entrepreneurs, A Conceptual study discussed about Startup needs support and encouragement from various perspectives in initial phase and subsequently the growth phase till establishment on firm footing. Technology based startup have a significant importance in India. The limitation of this study is that it is a detailed conceptual analysis about startup India based on secondary data. More Research can be done about its prospects and benefits of startup to entrepreneurs by using primary data and other statistical tools.

Objectives of The Study

- To study about the theoretical framework and Government initiatives of start-ups
- To identify the opportunities and challenges faced by start-ups during pandemic.
- To analyze about the government policies and economic restructuring on start-ups in the context of covid-19

Need for The Study

Startups are created to generate profits and secure local market share. Although small businesses also have the potential to grow into large companies, the driving force behind their growth is national and international expansion through larger teams, supply, manufacturing and distribution channels.

But the COVID-19 pandemic has posed unprecedented challenges for the startup ecosystem of India. The Government of India has joined hands with various stakeholders to offer support to startups. They are trying to combat the pandemic using innovative solutions created by entrepreneurs,

They are conducting webinars to offer strategic mentorship to startups, we are helping incubators go virtual. This study wants to highlight the government initiatives for the challenges faced by startups and helps to know about the opportunities in the present situation.

Research Methodology

The method of exploratory research is adopted for the study to know detailed information on start-ups during pandemic. This study is mainly based on the secondary data. These data are collected from various websites, journals, and newspaper articles.

Theoretical Framework

Start Up India

“Startup India Is a revolutionary scheme that has been started to help the people who wish to start their own business. These people have ideas & capabilities, so the Government will give them support to make sure they can implement their ideas and grow. Success of this scheme will eventually make India a better economy.

A complete action plan of startup India was launched on 16th January 2016. This scheme will boost entrepreneurship in the country at grassroots level ensuring youth benefits from the lowest strata of society. The Action Plan is divided across the following areas.

- Simplification and Handholding
- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

Role of Government

The Ministry of Human Resource Development and the Department of Science and Technology have agreed to partner in an initiative to set up over 75 such startup support hubs in the National Institutes of Technology (NITs), the Indian Institutes of Information Technology (IIITs), the Indian Institutes of Science Education and Research (IISERs) and National Institutes of Pharmaceutical Education and Research (NIPERs). The Reserve Bank of India said it will take steps to help improve the „ease of doing business“ in the country and contribute to an ecosystem that is conducive for the growth of start-up businesses.

Investments in Startup SoftBank, or, in other words Japan, has put \$2 billion into Indian new companies. The Japanese firm had vowed the aggregate ventures at \$10 billion. Google announced to dispatch a startup, in view of the most elevated votes in which the main three new businesses will be permitted to join the following Google Launch pad Week, and the last champ could win a measure of \$100,000 in Google cloud credits. Pradhan Mantri Mudra Yojana is likewise one of the comparable activities to renegotiate the small-scale units

Initiative Taken by Government (Before Covid-19)

Refund: A refund measure of 80 percent of the aggregate esteem will be given to the business people on recording patent applications. Simple standards of open obtainment and tenets of exchanging have been rearranged for the new companies.



Quicker exit: On the off chance that a start-up fizzles, the administration will likewise help the business visionaries to discover reasonable answers for their issues. In the event that they bomb once more, the administration will give a simple way out.

Atal Innovation Mission: The Atal Innovation Mission will be propelled to help advancement and empower capable young people. Setting up hatcheries A private-open association show is being considered for 35 new hatcheries and 31 development focuses at national foundation

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Research parks: The administration intends to set up seven new research parks, incorporating six in the Indian Institute of Technology grounds and one in the Indian Institute of Science grounds, with a venture of Rs 100 crore each.

Enterprise in biotechnology: The administration will additionally build up five new biotech groups, 50 new bio hatcheries, 150 innovation exchange workplaces and 20 bio-interface workplaces in the nation.

Committed projects in schools: The legislature will present advancement related projects for understudies in more than 5 lakh schools.

Legitimate help: A board of facilitators will give legitimate help and help with submitting patent applications and other authority reports.

Self-accreditation: The new companies will embrace self-accreditation to decrease the administrative liabilities. The self-affirmation will apply to laws including instalment of tip, work contract, provident reserve administration, water and air contamination acts.

Start-up India centre point: An all-India centre will be made as a solitary contact point for start-up establishments in India, which will assist the business people with exchanging learning and access money related guide.

Simple Registration: An online entry, in the state of a versatile application, will be propelled to enable begin to up organizers to effectively enroll. The application is planned to be propelled on April 1.

Patent security: A most optimized plan of attack framework for patent examination at lower costs is being conceptualized by the focal government. The framework will advance mindfulness and selection of the Intellectual Property Rights (IPRs) by the start-up establishments.

Corpus Funds of Rs. 10,000 crores to help start-up: The legislature will build up a reserve with an underlying corpus of Rs 2,500 crore and an aggregate corpus of Rs 10,000 crore more than 4 years, to help forthcoming start-up endeavors. The Life Insurance Corporation of India will assume a noteworthy job in building up this corpus. A board of private experts chose from the start-up industry will deal with the reserve.

National Credit Guarantee Trust Company: A National Credit Guarantee Trust Company (NCGTC) is being conceptualized with a financial plan of Rs 500 crore for every year for the following four years to help the stream of assets to new businesses.

No Income Tax for a long time: New businesses would not make good on Income Government expense for a long time. This approach would alter the pace with which new business would develop later on. With an average age of 28, India's entrepreneurs rank among the youngest in the world. India is the third largest startup country. Formalization of India's start-up

Start-Ups- Impact on Economy-(Before Covid-19): When it comes to start-ups, a general perception is that it needs to be in a developed country where all the resources are available. In truth, that misses the point: start-ups can begin anywhere, and it's often the countries with the greatest needs that present the biggest opportunities. Start-ups are at home in underdeveloped countries, nations in conflict, and those countries new to entrepreneurship. Each of these environments offer untapped problems which start-ups can take advantage of not just to make a profit, but also to make an impact. These start-ups boosted the economy with revolutionary technology and created new industries over time. And when they went public, they truly became money-making engines for not just the owners but also for the employees and shareholders. Some live examples are discussed below.

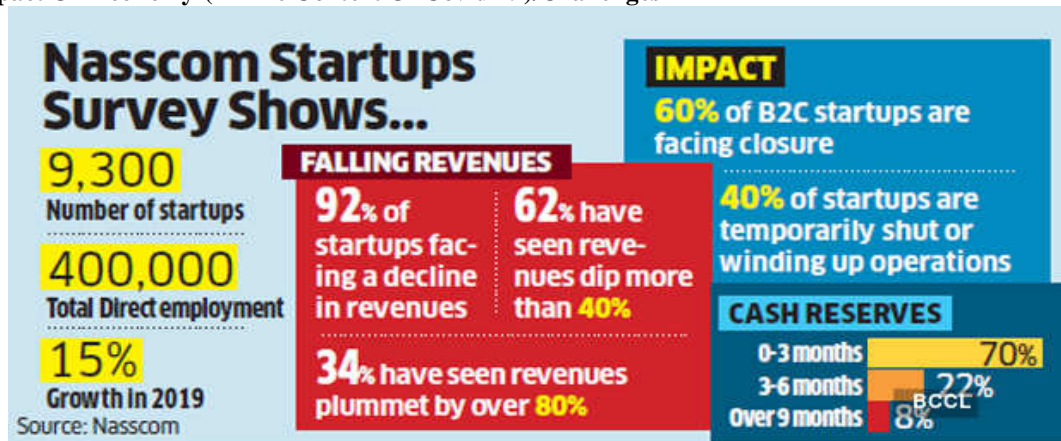
Thousands of Google employees became worth more than five million dollars while Narayan Murthy, the founder of Infosys, brought the new wave of wealth-creation in India among employees of the middle-class.



On the other hand, Alibaba single-handedly transformed the trade scene for SMEs in China, a country that was at that time infamous for its innumerable trade entry barriers. Often times, these same new millionaires put their money towards the businesses of friends and business partners, starting a virtuous circle.

Another good example that can truly help young entrepreneurs understand the contribution and role of startups in the country and its economy is of the Great Recession that hit the US. The American economy managed to gain back all of the jobs that were lost during the economic downfall, thanks to the jobs created by new companies. It's believed that 95% of all the companies in the US are businesses with less than 50 employees, and this makes them significantly important to the economic strength of the country.

Start-Ups- Impact On Economy-(In The Context Of Covid-19)/Challenges



In India and around the world, the impact of the corona virus pandemic is not limited to a few sectors but is evident across all stakeholders of the economy. For instance, the venture capital activity in the Indian ecosystem has witnessed a slowdown as social distancing and self-isolation is hampering investor meetings. Similarly, a negative impact is evident across both the white-collar and the blue-collar sector.

Funding Activities Dropped Drastically in March

Start-up funding for March 2020 dropped by over 50% as compared to the previous month, reveals data from Venture Intelligence. The start-up data tracker reported that Indian start-ups managed to raise only \$354 million across 34 deals, down from \$714 million secured in February across 46 deals. At \$1.74 billion (across 126 deals), start-ups also saw a 22% year-on-year decline in investments for the first quarter of 2020. The numbers reflect a significant slowdown in funding activities, primarily caused by a sluggish economy coupled with the ongoing nationwide lockdown.

India's revised FDI policy likely to hurt start-up investments The Government of India has recently tweaked its Foreign Direct Investment (FDI) policy in a bid to limit "opportunistic takeovers/acquisitions of Indian companies" amidst the pandemic. As per the revised guidelines, any investor of a nation that shares land borders with India.

This is because China is one of the biggest stakeholders in the Indian start-up ecosystem. Industry reports suggest that 18 out of 30 Unicorns in India are backed by Chinese investors and VCs, including the likes of Ten cent and Alibaba. China alone has made a total investment worth over \$8 billion in Indian companies, which outweighs all other neighbouring countries combined. Now that it has been mandated for all Chinese investors to get government nod, larger funding rounds will likely take long

Initiative Taken by Government (In the Context of Covid-19)/Opportunities

Growing Investor Interest in Certain Sectors

The COVID-19 crisis has brought a change in start-up investment patterns. Venture capital firms are shifting their focus from tech-centric start-ups to the ones operating in sectors such as FMCG, online grocery delivery, home entertainment etc. Apart from that, start-ups in EdTech, FinTech and cyber security are witnessing an increasing user demand, which in turn is luring investors. Also, the government itself is offering Indian start-ups \$130K to develop an encrypted video conferencing solution after that can work on multiple platforms.

The pandemic has undoubtedly affected the start-up funding scenario in India, but it has also created new opportunities for start-ups



that can adapt to the current environment. Some companies are already showing trend-defying growth, which is giving a ray of hope to VCs and angel investors.

Funding Sources Available for Startups Fighting Against Covid-19

Grant Opportunities

Action COVID-19 Team (ACT) – ACT has set-up an INR 100 crore grant, created by India's start-up community to give wings to ideas that could combat COVID-19 with immediate impact. We are seeking capital-efficient, scalable solutions from NGOs and innovative startups which need an initial seed grant to fight the spread of the pandemic.

United States - India Science and Technology Endowment Fund (COVID-19 Ignition Grants) – The United States–India Science & Technology Endowment Fund (USISTEF) seeks to support and foster joint applied R&D to generate public good through the commercialization of technology developed through sustained partnerships between U.S. and Indian researchers and entrepreneurs. The current global crisis underscores the importance and relevance of USISTEF activities.

Equity

- **Omidyar Network India Rapid Response Funding** – Omidyar Network India has announced a call for proposals for rapid response funding to tackle the challenges posed by the Covid-19 situation and the consequent socio-economic impact. They are committing INR 7.5 cr (\$1 million) to this initiative.
- **Bexley Advisors Covid-19 Action Fund (BACoAF)** – The Bexley Advisors Covid-19 Action Fund is designed as a bridge to capital for innovators on the frontlines of the pandemic, who are creating solutions for the biggest challenge we have confronted as a nation. The Fund collects entries on a rolling basis and shares them with participating VCs and investors every week.

Debt and Grant Opportunities

- **SIDBI Safe** – Responsive to the need of the hour to fight Corona Virus from all fronts, Small Industries Development Bank of India (SIDBI) has launched SAFE (SIDBI Assistance to Facilitate Emergency response against Corona Virus) scheme. It is a financial assistance program for MSEs which are engaged in the manufacturing of products or offers services related to fighting the novel coronavirus, which has been declared a pandemic.
- **SIDBI Safe Plus** – SIDBI has launched this scheme to provide emergency working capital to MSMEs producing goods and services directly related to fighting corona virus, against specific orders from the government/government agencies.
- **DSTCAWACH** – The Centre for Augmenting WAR with COVID-19 Health Crisis (CAWACH) is an initiative by National Science & Technology Entrepreneurship Development Board (NSTEDB), Department of Science and Technology (DST), Government of India. Given the impact of COVID-19 globally and in India, the need of the hour is to support R&D efforts in this direction and end any further damage to the economy. Department of Science and Technology (DST), Government of India is supporting innovations offering comprehensive solutions.
- **SIDBI CSAS** – SIDBI recognizes the operational and financial challenges being faced by the start-ups and endeavors to provide financial assistance and stability via its Covid-19 Startup Assistance Scheme ('CSAS'). This scheme will aid innovative startups that have demonstrated ability to adapt to economic impact from Covid-19 and have ensured employees' safety and financial stability.

Knowledge Platforms

- **Startups vs COVID-19 by 91Springboard** – A repository of resources for Indian startups solving challenges created by COVID-19 voluntarily supported by 91Springboard.

Regulatory Reforms & Economic Support

- **Department for Promotion of Industry and Internal Trade(DPIIT)** has set up a control room to monitor in real time the status of transportation and delivery of goods, manufacturing and delivery of essential commodities to common man and the difficulties being faced by various stakeholders during the lockdown period from March 25, 2020 to April 14, 2020. In the event of any manufacturing, transporter, distributor, wholesaler or e-commerce companies facing ground level difficulties in transportation and distribution of goods or mobilization of resources, the same may be informed to the Department.

The issues reported by various stakeholders were taken up by the Department with the concerned state government, district and police authorities, and other concerned agencies. DPIIT has launched the United Against COVID-19- Innovation Challenge to



identify innovative solutions to combat COVID-19. More than 750 applications were received and currently under evaluation. Applications being received for solutions to manage the over COVID situation including logistics solutions, testing solutions, Critical care equipment, large area sanitization and various other critical aspects related to COVID-19

• **Business Immunity Platform by Invest India: National Investment Promotion Agency**

The Business Immunity Platform (BIP) at Invest India is the active platform for business issue redressal, operating 24/7, with a team of dedicated sector experts and responding to queries at the earliest. Invest India has also partnered with Small Industries Development Bank of India (SIDBI) for responding and resolving queries for Micro, Small and Medium Enterprises (MSMEs). The investor facilitation desk of Ministry of Food Processing Industries (MOFPI) at Invest India through BIP will help businesses and investors get real-time support to ensure hassle free operations of all food processing & related industry and business associations.

Discussions

Though the Indian country faces a massive economic downturn, the country's start-up ecosystem is pivoting to survive the recession. (For e.g.): Indian start-up founders and investors in early April 2020, Action Covid-19 Team (ACT) Grants has added 49 initiatives to its grantee list. This 100 Cr grant was envisioned to help the government and other stakeholders to ramp up the development of innovative ideas, which can help India combat Covid-19. Being a Citizen of India it's a responsibility of all us to support and create opportunities to develop our economy and to sustain our employment growth in this pandemic situation.

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