

Analyzing the Impact of Pandemic on the Indian Entrepreneurial Ecosystem

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Abstract

The 21st century ushered into a new era for entrepreneurship in India as technology and a conducive ecosystem paved the path for young and dynamic Indians, offering them an opportunity to be „job creators' instead of the conventional tag of job seekers. The COVID-19 pandemic has been an unprecedented test for humankind at large. It impacted every single front and likewise, the entrepreneurial ecosystem faced several repercussions as well. This paper aims to provide a comprehensive understanding of the impact of the pandemic on the growth drivers of Indian start-ups. We have taken into consideration the general sentiment about entrepreneurship and its correlation with the pandemic by analysing primary as well as secondary data.

Keywords: *COVID-19, Indian Economy, Entrepreneurship, Start-ups, Pandemic*

1. Introduction

The Indian entrepreneurial ecosystem has evolved dynamically over the last twenty years. Some start-ups were founded around the 2000s when the ecosystem was still immature as only a few investors were active and the number of support organizations like incubators and accelerators was limited to a vast extent. Some successful exits occurred within the late 2000s and for the last ten years, the number of start-ups has increased exponentially and more support has become available in all the mentioned dimensions. Bangalore has emerged as India's primary start-up hub, but significant founding activity is additionally growing in Pune, Mumbai, and the National Capital Regions, as well as some smaller cities.

Cut to 2020, hundreds of start-ups went down due to the very uncertain disruption caused by the Covid-19 pandemic. Several jobs and livelihoods were lost following what looked like the darkest period for mankind. The entrepreneurial spirit was tested throughout, businesses are still to return to their normalcy, albeit we saw some exceptional beacons who surged through the pandemic serving as some of the finest examples of entrepreneurial success.

As a result of the pandemic, life has evolved considerably. The utilization of digital technologies is becoming the norm. This COVID-19 pandemic initially started in early 2020 and has affected most sectors of the worldwide economy. Countries and regions are affected at varying rates of intensity. Thus, there are concurrent economic and social effects derived from the COVID-19 pandemic. Physical and human contact trade has decreased due to social distancing. There is a requirement for all businesses to survive within the short term by utilizing an entrepreneurial mindset by committing to the variety that comes with innovation. Entities must be flexible to survive within the new market conditions.

In times of crisis, entrepreneurs help improve product and repair quality and advance new technologies. Entrepreneurs are a source of dynamism and make sure that an economy remains competitive. These skills are needed within the economy and act as an incentive for others to behave innovatively. Moreover, entrepreneurs are characterized by their vibrancy and positive energy. They act as risk-takers by seeing opportunities within the marketplace that others currently don't foresee. Best practices are often implemented, including creating a multidisciplinary stakeholder committee to debate action plans evaluating the crisis at different times to establish what actions are required.

2. Literature Review

In the Journal of Xi'an University of Architecture & Technology, **Dr. A. K. Bhagat, (2020)** opined about the *Impact of Corona Pandemic on Social Entrepreneurship in India*). Further, he wrote that Social Entrepreneurship is an approach by individuals, groups, and entrepreneurs, in which they find solutions to social issues. As per the research, COVID-19 has affected socio-economic sectors in many ways. The demand and supply gap in the economy, consumption patterns are being adjusted and the rest is being filled mostly by the social enterprises in India. Further Dr. Bhagat has studied the reactions and work plans of Indian social enterprises and NGOs to support the pandemic crisis management and also how social enterprises can act as support systems in serving the most vulnerable community of the poor during the pandemic.

Sandeep Kudtarkar, (2020) in his research paper shows the overview on the topic of *“Developing Sustainable World-Class Local Supply Chain Ecosystem in India during the Corona Pandemic”* quotes “Crisis either causes regress or progress depending on the will of the people”. He further expresses that the COVID-19 pandemic poses a unique opportunity for India to fill the gap created due to negative global sentiments towards China and occupy some pie in the global supply chain by getting its act together, thinking strategically and out of the box, and implementing swiftly during and post-pandemic. In terms of global supply

chains, most of the countries have started diversifying their supply chains and moving the production lines out of China which was at the heart of the global supply chain before the pandemic but now looked at with suspicion and blamed for not doing enough to stop the spread of disease and hiding the information about COVID-19 from the rest of the world. The world's mistrust of China has disrupted the global supply chains and countries may become a warrior of buying goods from China soon.

In the Journal Entrepreneurship and Innovations in Emerging Economies, **Mofoluke Akiode, (2020)** has researched on *“Transnational Entrepreneurs Dynamics in Entrepreneurial Ecosystems”*. He described that the entrepreneurial ecosystem is based on the understanding that, even though entrepreneurial activities take place within the business sector, society also influences entrepreneurship. The major challenge of the concept is its theoretical limitations, especially considering that it is a heterogeneous phenomenon requiring bespoke policy interventions. It explains how the personal networks of diasporas and the cultural components influence transnational entrepreneurial activities of diasporas. It is further explained how institutions enable or constrain entrepreneurial activities. In risky environments where uncertainty is increased, transnational actors may be unwilling to bear uncertainty or limit transnational entrepreneurial activities to interactions that minimize risks.

Your story covered the impact of the pandemic and the inferences derived from it in their article titled, *‘Evolution, innovation, and democratization: Trends that defined the past decade for Indian start-ups.’* As the COVID-19 pandemic led to an unprecedented downfall in India's economic growth in 2020, start-ups braved the storm admirably. We saw a lot of newer strategies to build more sustainable and revenue-oriented businesses also emerged during this period. Whether it was setting up coronavirus testing laboratories, streamlining domestic logistics, or undertaking the integration of technologies at the core in minimal time, Indian start-ups were at the forefront of innovation, inducing a wave of democratization in the ecosystem. “There is no doubt that we are seeing a stronger focus on underlying business economics, both from the founders and investors; there's also a focus on monetization, which always got pushed to the latter years of a start-up's life,” said Lets Venture founder Shanti Mohan, “For pandemic-toughened founders, every customer contract sealed, every new user signed up has taught them that the product and value proposition comes first, everything else later,” in their coverage.

3.Scope of the Study

The scope of this study is limited to understanding the challenges and opportunities posed for budding entrepreneurs in India after surging through a pandemic laden economy.

4. Research Gap

There has been a considerable amount of research done about the pandemic and its footprint on the business domain globally, but the coverage in context to pandemic and its real time impact on the Indian entrepreneurial ecosystem is limited to a certain extent. There is an essential need to explore further about this subject matter and take a deep dive into what might be the potential driving force of our economy.

5. Research Objective

The objective of our study is to understand the tangible impact of the global outbreak and to analyse how it benefited/affected the entrepreneurial ecosystem. The research studies the impact of the pandemic on the Indian entrepreneurial ecosystem and helps society to understand the business opportunities. We also intend to analyse the general sentiment about entrepreneurship in the post-pandemic world so as to have baseline information about the current ecosystem.

6. Research Methodology

This study seeks to give a comprehensive overview of the current situation of the Indian start-up ecosystem. It provides an in-depth overview of some of the most eternal questions related to the know-hows of Entrepreneurship in context to the COVID-19 pandemic.

To gather insights on these questions, a quantitative research design was chosen and we gathered primary data by the means of a questionnaire survey. The respondents for the survey are mostly the students of Entrepreneurship specialization. The survey took place on a virtual platform. Overall, Number of survey participants shared their perspectives. The research was semi-structured, i.e., based on a list of guiding questions respondents were asked to share their opinions and we also collected secondary data from available journals and reports. The aggregated insights were analysed to gain a comprehensive overview of the developments in the Indian start-up ecosystem.

In addition to the survey, a literature review was conducted. The aim was to identify relevant literature as well as data, which would provide deeper background information on aspects raised through the primary research. Also, such further information was helpful to strengthen the robustness of the findings.

7. Data Analysis and Interpretation

India is the world's youngest nation with 64% of its population in the working-age group, so it's no secret that the start-up ecosystem in India has evolved exponentially in recent years. According to a recent NASSCOM report, India is the third-largest start-up ecosystem in the world and is expanding to become more global. With this reassuring ecosystem, the start-up

culture is picking up in India as we can see, although top metros control the majority share of Start-up's concentration in the country, have been catching up.

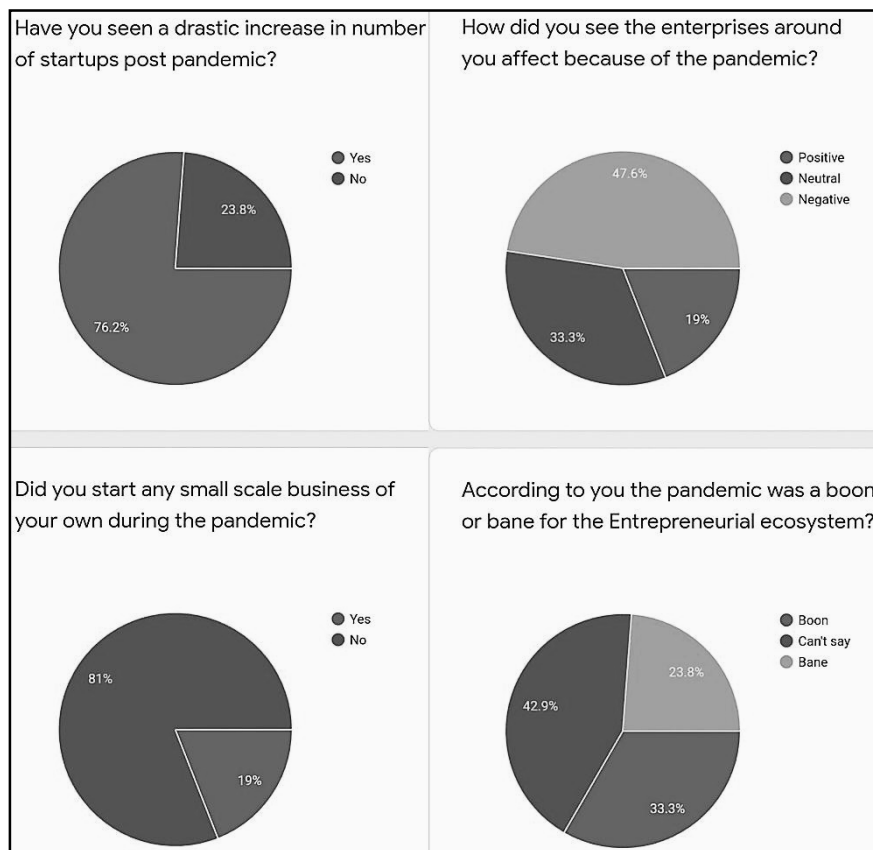
State	Start-ups
Maharashtra	2587
Karnataka	1973
Delhi	1833
Uttar Pradesh	1129
Telangana	748
Gujarat	712
Haryana	710
Tamil Nadu	709
Kerala	461
West Bengal	417

Figure: Start-up split by geographical distribution of the recognized start-ups

Source: States Start-up Ranking Report by DIPP, India

The pandemic came in with the nation-wide lockdown which took a toll on the entire business ecosystem. We could witness the first tangible effects in the form of a stringent set of restrictions on mobility and transportation. It was followed by the majority of industries coming to a standstill which included the likes of tourism and hospitality, construction, transport, event management, arts and entertainment, and many consumer-centric products and services which involved *Consumercues*.

1. Primary Data Analysis:



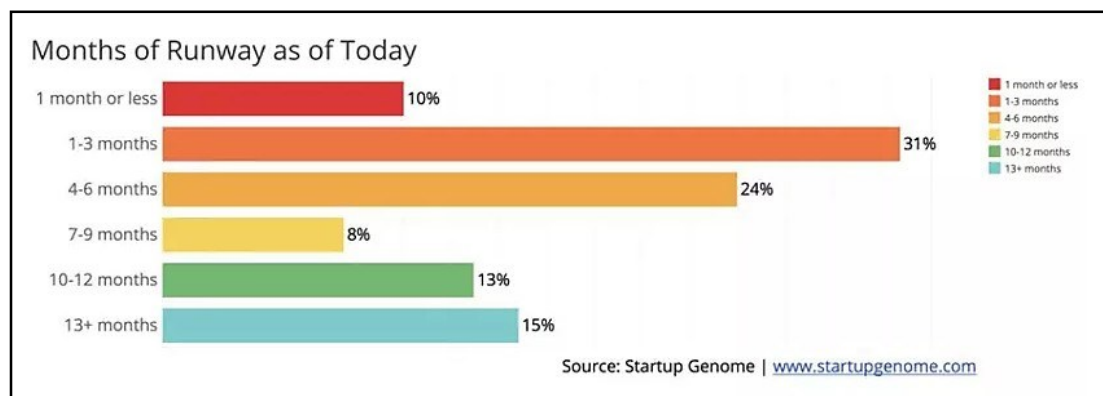
The primary survey involved participation from students of the entrepreneurship stream, academicians, and entrepreneurs which summed up to a sample space of around 30 respondents. The primary data unveiled some promising insights, firstly more than 75% of the respondents witnessed a surge in the number of start-ups as the pandemic started waning. Although most of them did not start anything of their own still the majority agreed to a common thread that Entrepreneurship will be a lucrative career option in the post covidworld. On the other hand, there were mixed feelings about the impact and outcome of the pandemic in context to the start-up ecosystem, we found out that the sentiment about questions along the same lines is still a bit too dicey.

2. Secondary Data Analysis:

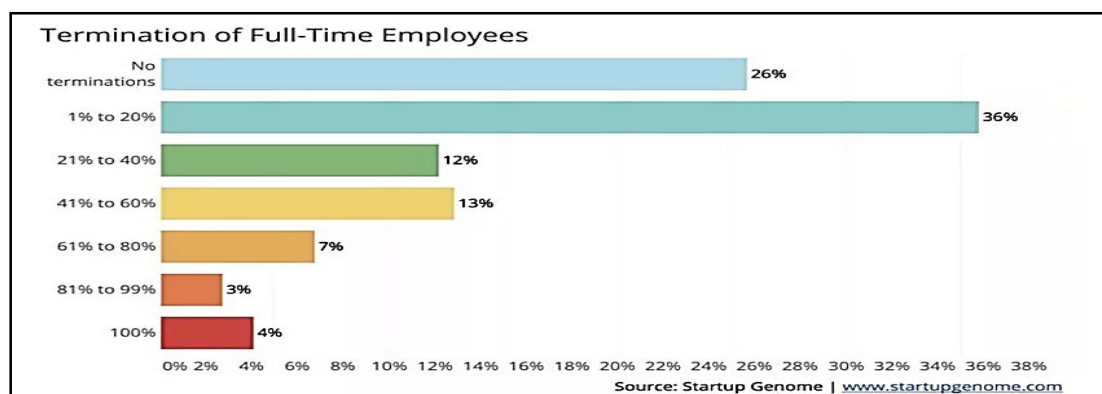
The Indian entrepreneurial ecosystem has shown some robust signs even during such challenging times citing as many as 12 start-ups attaining the „Unicorn“ status. A deeper dive unfolds a better story, as India currently houses 38 unicorns – start-ups with a valuation of over USD 1 billion – as per the NASSCOM Tech Start-up Report 2021. To facilitate the growth of start-ups, the Indian government had announced the „Start-up India, Stand-up

India“ initiative. As of December 23, 2020, the Indian government has recognized a total of 41,061 start-ups and 4.7 lakh jobs have been reported by more than 39,000 start-ups.

As per the GALI India Entrepreneur Survey (2020), around 50% of the surveys had to temporarily shut down their businesses while they also missed on loan repayment. This staggering data shows how the lockdown had a direct impact on the sustenance of enterprises throughout. As critical as it could get, many businesses had to shut down because of the precautionary measures which were deployed.



The insights from Global Start-up Survey clearly reflect upon the fact that 40% of the start-ups have cash for less than 3 months to conduct their normal operations. In situations like the global pandemic, maintaining the cash-flow becomes of paramount importance. From the data, we can decipher how alarming the situation is as budding start-ups and businesses should be prudent about their future, and on the brighter side, the pandemic would have definitely taught a key lesson for all the prospective entrepreneurs.



More than 70% of start-ups have had to terminate full-time employee contracts since the start of the COVID-19 pandemic; this shows the macroeconomic impact of the COVID crisis. The economic vices like unemployment shot up resulting in deep-lying bruises on the economic

fabric of our country. Many entrepreneurial businesses have pivoted to meet new needs for goods or services borne out of the crisis.

3. Deciphering Further:

Some new-born entrepreneurs and start-ups have been more opportunistic during the pandemic, pivoting their businesses through some kind of “repurposing” and redirecting existing knowledge, skills, people, and networks to new needs that have emerged. From start-ups and individuals producing and selling face masks and shields to their local communities to local taxi start-ups turning into grocery delivery companies, the nature of innovation is often incremental but, at the same time, essential for survival and adapting to our “new normal”.

Taking the fight right against the virus, the start-ups of India are continuously developing technological support for the world, spreading awareness about the preventive measures, or simply providing help on ground zero. Major e-commerce portals have started delivering groceries and essential commodities only to help ease up the system in place. OYO Rooms has turned many of its hotels into makeshift hospitals and isolation centres. Restaurants, F&B aggregators, and other portals getting restaurant food to homes by abiding by the WHO-specified safety precautions. To help further, many of these firms have come up with relief packages of their own and contributed largely from their own pockets. They are actively helping the COVID vaccine research with tech support for telemedicine, building multistage testing procedures, scaling the manufacturing of test kits, and the healthcare infrastructure. Capitalizing on the slightest of the opportunities presented by the pandemic, this new generation of entrepreneurs has definitely stood unwavering in times of disruption.

4. Policies in place to augment the entrepreneurial ecosystem:

- The Indian Government has proposed to extend the capital gains exemptions for investments in Start-ups by a year to March 31, 2022, which help to boost funding“s in these start-ups.
- The government has proposed to extend the eligibility for claiming tax holidays for start-ups by a year to March 31, 2022.
- The Indian Government has recently approved the Start-up India Seed Fund Scheme (SISFS), which is expected to provide early-stage funds via a corpus of INR 830 Cr, which has to be disbursed through selected start-up incubators between 2021-2022.
- The Government has set up a fund of funds for Start-up (FFS) with a corpus of Rs. 10,000 Crore.

- Some Indian government initiatives to promote and build the entrepreneurial ecosystem: Start-up India, MUDRA Bank, ATAL Innovation Mission, ebiz portal, BIRAC, Innovations Deployment Accelerator by C-CAMP.

8. Conclusion and Contribution

The pandemic has changed the fundamental prerequisites to become an entrepreneur. The Indian market offers many opportunities for start-ups and in turn, start-ups carry great hopes to promote growth and create employment. Over the last two decades, more start-ups emerged in India and the associated ecosystem has developed dynamically. Albeit the pandemic was an impediment, but every challenge brings with it a new set of opportunities, in a certain way, it has also acted as a catalyst to encourage and motivate the budding change makers in developing impactful solutions.

The research has identified that although the pandemic has been a huge hurdle, the start-ups showed some sheer agility as well as resilience to fight back and retaliate. It also helped us understand the potential of the Indian economy, which being the third-largest start-up ecosystem in the world, has a mean of three tech start-ups born every hour. The expectations were high for 2020, considering that 2019 was a blockbuster year in the history of start-ups, with \$14.5 billion in funds raised cumulatively. However, since the COVID-19 pandemic has emerged, disrupting financial markets and leaving the planet teetering on the sting of an economic downturn. Short-term challenges may have become long-term opportunities for strong companies that are willing to rework swiftly. Start-ups are now focusing their efforts on the „how“ and „what“ must be done to weather the impact of the coronavirus outbreak. Necessity drives innovation. The recent COVID-19 pandemic has created an identical necessity to innovate and overcome its myriad challenges – from delivering vital services like education to developing a vaccine within the shortest possible time. We all are aware of the fact that the world will never be the same ever after and with the new normal arriving in with baggage of eclectic opportunities, optimistically, the future for the Indian entrepreneurial ecosystem is definitely showing some bright signs.

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