

## COVID-19: Challenges and Opportunities for Indian Start-Ups in the New Normal

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### **Abstract**

Start-ups in India face numerous challenges even after being in a market full of opportunities. During the COVID-19 pandemic, these start-ups have had to face additional challenges. While some start-ups could not survive the brunt of the new situation, some through innovation and rethinking of their business strategies were able to sail through and are back on track. This paper through secondary research methodology attempts to understand the impact of the COVID-19 pandemic on start-ups in India and opportunities anticipated in the new normal.

**Keywords:** *Start-ups, Pandemic, Innovation, Opportunities, Challenges*

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### **1. Introduction**

India is the second-most populous country in the world having young demography and a market full of opportunities for start-ups. India's start-up ecosystem has witnessed tremendous growth in the past decade.

From having only a few tech start-ups to over 55000 innovative ventures, it has been able to overcome various challenges. One such challenge was the COVID-19 pandemic that took the world by storm in the year 2020.

The first cases of the COVID-19 pandemic were found in Wuhan, China which then spread all over the world causing a series of lockdowns all over the world including India. A countrywide lockdown was imposed from March 2020 to June 2020 to curb the spread of the coronavirus disease. This harmed the economy causing a slowdown in the growth of the start-up ecosystem. Businesses throughout the country were affected. Investments fell and companies suffered from a lack of funding. Many business operations came to a halt, compelling businesses to come up with new contingency plans to ensure survival.

### **2. Literature Review**

Start-ups have been of utmost importance in the Indian market resulting in several home-grown start-ups across India. To promote growth and help the Indian economy, the

government of India has taken some initiatives for promoting the Indian start-up ecosystem such as the —Start-up India program. Along with government initiatives, penetration of IT and the internet has elevated the start-up ecosystem in India.

However, the Indian start-ups are facing their own set of challenges such as the unorganized and fragmented Indian market, lack of clear and transparent policy initiative, lack of infrastructure, lack of knowledge and exposure, the complication in doing business etc. *(Habeebuddin, 2017)* Starting up in India isn't that easy because the cost is higher compared to other parts of the world *(Goel, 2018)*. Most start-ups have brilliant ideas and/or products, but have little or no industry, business and market experience to get the products to the market. Lack of adequate mentoring/guidance is the biggest challenge that could bring a potentially good idea to an end. *(Kumar D. G., 2018)* —Inappropriate regulatory elements and legal bottlenecks in the past have hampered the development of a healthy entrepreneurial environment in India. *(Kshetri, 2016)* Policy measures should not only provide first aid to start-ups by alleviating the pressure caused by constrained cash flow but also involve long-term measures embedded in and supported by the wider entrepreneurial ecosystem to ensure rapid recovery and growth. *(Kuckertz, et al., 2020)*

For entrepreneurs, dealing with uncertainty and failure is a normal part of the business even if the uncertainty is brought in by the COVID -19 pandemic. During the current COVID-19 situation, fragmented supply chains and the lack of local-level infrastructure to sustain farm-gate production and procuring, grading, sorting, packaging and delivering of essential commodities like vegetables, fruits, milk and eggs and other grocery items had put local administrations under tremendous pressure. *(Kumar & Bhooshan, 2020)* The pandemic has brought significant disruption to economies and entrepreneurship globally and has posed several unprecedented challenges, however, the absolute impact remains unclear, as more in-depth longitudinal studies are required to better investigate this issue. *(Meahjohn & Persad, 2020)*

### **3. Research Gap**

The COVID-19 pandemic has brought a new dimension for start-ups in India. A lot of research has been done on the challenges and opportunities of the start-up ecosystem in India before the pandemic, but proper research has not been done on the COVID-19 situation. Therefore, the paper aims to throw light, keeping the pandemic in mind, on the challenges and highlights opportunities that may arrive in the new normal.

#### **4. Research Objectives**

1. To understand the overall scenario of the start-up ecosystem in India.
2. To assess the challenges faced by start-ups in India due to the COVID-19 pandemic.
3. To evaluate the opportunities for start-ups post COVID-19 pandemic.

#### **5. Research Methodology**

This paper is a case study analysis of start-ups in India and data is collected from secondary sources like journals, articles and various research papers and websites.

#### **6. Data Analysis and Interpretation**

##### ***Before It All Began: The Pre-Covid Situation***

Start-ups are the drivers of innovation. Developing a robust start-up ecosystem is important for any country's economic development. The Indian Start-up ecosystem saw its beginnings in the early 2000s. But it wasn't until 2008 when the global recession hit and a start-up revolution took place and since then the ecosystem has seen significant growth. Bengaluru has come to be the primary hub of start-ups in India with being amongst the top 20 start-up cities in the world as per the Start-up Genome Project ranking of 2019 and is included in the top five fastest-growing start-up cities in the world.

India has become the world's 3rd largest start-up ecosystem in terms of the number of start-ups in the country. In the year 2018, India had as many start-ups as 50000 out of which 8900-9300 were technology-based start-ups. In the year 2019, 1300 new tech start-ups were incorporated which meant that at least 2-3 start-ups were registered per day. As per the Start-up India Portal of the Government of India, the start-up ecosystem in 2018 has grown at the rate of 15% year-on-year.

##### ***The Arrival of Covid-19 And Its Impact on Indian Start-up Ecosystem***

The Indian start-up ecosystem was considered booming, thriving and progressive until the outbreak of Coronavirus. The beginning of the year 2020 saw the growth of the ecosystem continuing from 2019. But the COVID-19 pandemic hit the world and India was put under lockdown which affected the start-ups. Start-ups had to eventually downsize and reduce their teams. Around 40% of start-ups had to shut down or halt their operations and 70% claimed that their survival is at stake, while revenues have declined 90% for over 250 start-ups as per a survey conducted by NASSCOM in April 2020. As per another report by TiE Delhi-NCR and Zinnov, there was an adverse impact on around 40% of the start-ups, and 15% were forced to discontinue their operations. As per another survey conducted by the Federation of Indian Chambers of Commerce and Industry and the Indian Angel Network, around 43% of the start-ups were required to cut salaries up to 40% in the months of April to June 2020. The

effect of the pandemic situation can be noticed from how the ranking of the Indian start-up ecosystem had fallen from the 17th position in 2019 to the 23rd position in 2020 according to a ranking system by StartupBlink, which ranks the start-up ecosystems of countries based on the quality of the start-ups, business environment and the quantity.

Thus, initially, when the lockdown was imposed in the country, the start-ups in India faced many hurdles for survival. But the pandemic has provided many different opportunities and encouraged innovation in India.

### ***Road to Recovery***

The pandemic has undoubtedly been one of the most difficult times that no one was prepared for. It was quite a challenge for start-ups to keep their businesses alive during the crisis. As per an article by Inc42, the number of start-ups launched in the year 2020 fell by 70% from 3500 in 2019 to 1500.

But entrepreneurs soon understood that they need to reassess and rebuild their businesses and be innovative to survive and thrive in the changing world. One of the ways by which start-ups remained afloat was by going digital. They digitized education, work and other services, and took innovative steps in providing medical goods and services. This indicated that internet utilisation in business was the way forward for start-ups.

The Government of India is also providing a helping hand to boost the start-up ecosystem by approving schemes like the Start-up India Seed Fund Scheme and providing various benefits under the Atmanirbhar Bharat package. And there are signs that the ecosystem is adjusting to the new situation and moving forward. A recent report suggests that Indian start-ups recorded total funding of \$11.5 Billion, which is just 10% lower than 2019 and that the Indian start-up ecosystem has a 14% higher number of deals in 2020 than in 2019. This is an indicator of how start-ups are taking advantages of opportunities that have arisen out of the COVID 19 pandemic.

### ***Make Hay While the Sun Shines***

Although the COVID-19 pandemic has caused massive disruption in the start-up ecosystem, it has also been an opportunity for many to rethink, redesign and refocus on their business strategies. The pandemic has opened up avenues in various sectors and these sectors will shine even in the cloudiest of weather.

### **E-commerce delivery-based services**

Now that social distancing is being practised as the new normal, the e-commerce delivery-based sectors are booming since people are withholding themselves from going to crowded

places like markets, grocery stores, etc. Consumers are preferring online shopping and other digital options which have brought a radical change in the consumer behaviour pattern.

#### Edu-tech

As schools and colleges remain suspended, online education, tutoring and web courses have become the need of the hour. Schools, colleges and other institutions are adapting to a dynamic digital platform. Technology-driven education is the new horizon for Edu-tech start-ups. Start-ups like, Unacademy, Udemy, Byju's have grown exponentially during this period and will emerge as unicorns.

#### Health sector

Several health tech start-ups have helped the government in fighting the pandemic by making use of cutting-edge technologies. Health care start-ups such as Medtech and Biotech innovated their delivery system to fulfil urgent medical requirements. Few other start-ups like Bione, Redcliffe Life Sciences, Mylab, and Nocca have developed various medical equipment like ventilators, COVID-19 testing kits, etc. And start-ups like NetMeds, DocPlexus, 3Hcare, Practo, PharmEasy, Docttocare are also doing extremely well.

#### Fintech

Fintech companies are expected to grow further post COVID because of their ability to offer P2P lending facilities or the services where funds can be granted on short notices and with less collateral. Since India is moving towards a cashless economy, Paytm and Google pay will be continued for cashless transactions.

#### Rethinking Office Spaces

Offices should be redesigned keeping in mind the new normal. Start-ups like Flipspaces pivoted their business model and set up Rebootspaces for offering services for the next generation of commercial spaces. A start-up based in Mumbai has also launched home office solutions to enable employees to work remotely.

#### Work from Home as a New Norm

Businesses are investing in new technologies for enabling a smooth and efficient work from home experience. Newer technological tools are being used to facilitate remote working. Organisations including start-ups are using some leading communication tools such as Zoom, Webex, Go To Meeting and G Suite to communicate with their employees, clients, and other partners.

### **7. Conclusion and Contribution**

From being in the infancy stage in the early 2000s to becoming the 3rd largest start-up ecosystem in the world, the Indian start-up ecosystem has shown immense growth. Seeing the

growth of the ecosystem from the years 2014 to 2019 it is evident that technology and the internet have become significant. This significance has been reinforced in the COVID-19 pandemic situation.

The pandemic has changed the definition of ‘\_normal’. Start-ups who can understand the true meaning of the new normal will be able to bring the best in them by identifying new opportunities with their innovative ideas and unique solutions. Those who are willing to adapt to the changing dynamics of the business environment by thinking out of the box will be successful in creating new opportunities for businesses in future.

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