

Startups in India: Can They Stand Up Against Covid-19 and Other Challenges

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Abstract

1. Abstract : Covid-19 damaged the progress of startups in India. With an intention of increasing the entrepreneurs to create a better atmosphere and to promote inventions startups has been started. The spread of virus encouraged the social distancing that lead to shutdown of financial markets in India. The speed spread of virus created fear among the people and this fear lead to safety in consumption and disinvestment among consumers. Manufacturing and baby companies, micro small and medium companies, services companies and literary all type of business activities was severely affected and despite economic boost package declared by government may take months together for the recovery. 1.3 billion persons were put under strictly enforced lockdown on 24th March 2020 for an initial of period 3 weeks. The flight of migrated labour from Indian cities to their homeland emerged as a consequence to the announcement of national lockdown. India ranks third in the strength of startups after USA and China. Areas like SaoPolo, Brazil and Bengaluru are successful startup hubs (Veston 2016).

KEYWORDS : Innovativeness, lockdown, unemployment, restart, migration, small and medium

2.Introduction

Startup India is a government initiative aimed to promote innovative ideas by young companies. Startup initiative taken up the government is intended to build strong ecosystem conducive for the growth of startup business, to attain sustainable economic growth and to generate large scale employment opportunities (Sarika Sharma et al. 2020). Startup are refined and the renewed form of entrepreneur. They are Juvenile organisations that has just started to emerge (Akanksha Dutta 2016) startups maybe new entrepreneurial venture or a new business or a new partnership designed to grow further. A concept that emerges in the mind can be converted into startup.

Within one month of lockdown declaration unemployment rose from 6.7% on 15th March 2020 to 26% on 19th April 2020 (Deloitte Insights 2020). During the lockdown an estimated 14 crore people lost employment. More than 45% of of households across the country have reported an income decline when compared to previous year (Biman, Mukerji 2020).

Major companies in India have temporarily suspended or significantly reduced operations. Young startups have been impacted as funding has fallen (Singh, Sandeep,

2010). Indian economy was expected to lose over rupees 32000 crores (USD 4.5 bn) everyday during 21 days of complete lockdown. Up to 53% of business in the country was projected to be significantly affected (Biman Mukerji 2020).

All economies either developing or developed are facing the problem of restart of startups, medium and large sized companies. The virus shock resulted in negative growth of GDP in many countries. Greater responsibility has fallen on startups to become confident in future in showcasing their products, activity in the venture capital and networking platform. Startups have to stand up against the covid-19 shock through strong commitment and hardwork. This paper covers the challenges faced by startup entrepreneurs on account of covid-19 and other challenges which are faced by startup entrepreneurs.

3.Review of literature

Manu Tyagi (2019) states though startups are facing problems, they are rising like a Sun. They have the commitment to establish and divert their energy to plan, support and execute the demands and contributing to the growth of economy.

Chokhani (2017) expressed that skilled labour hesitate to join startups since they have seen in previous years mass firing and downsizing. Further the research stated that raising the capital has been a long drawn challenge for startups.

Geol (2018) stated some challenges and issues culture and awareness for social issues, technology infrastructure, financial issues, sustainability and regulatory issues.

Kunal Deep (2017) presented a few startup business challenges and opportunities for startups. The author expresses that in India opportunities for startups are many and also the challenges. In order to address these challenges Government and startups should take combined efforts.

Akanksha Dutta (2016) states that startup is an opportunity to educate and inspire others. Though the entrepreneurs are facing problems but they are rising like a sun. And therefore they can divert energy to plan and support and execute their dreams and contribute to the growth of the nation.

4.Objectives of the study

- To analyse the challenges emerged on account of covid-19.
- To analyse the challenges of finance, marketing.
- To know Awareness of respondents about elements of startup ecosystem.

5.Hypothesis

- Startup entrepreneurs are not facing the covid-19 challenges.
- Entrepreneurs are not facing the challenges of finance and marketing.
- Respondent are not aware of elements of startup ecosystem.

6. Research methodology

The required data was collected by administering questionnaire as scheduled in order to avoid non-response and to save time. The data collected in a natural setting where the startup entrepreneur was involved in his work in the business unit.

6.1 Sample and sampling technique

200 sample were considered for the study. There are 7700 registered startups in Bengaluru and in about 1000 startup units are working actively and some are regular in business activities on account of various reasons. Some units exist only namesake. Convenient sampling technique was employed to collect the required data.

6.2 Universe of the study

The present study is confined to only Bengaluru. The data collected from startups which are located in Bengaluru. The areas were, Whitefield, Indira Nagar, Koramangala, KR Puram.

6.3 Sources of data

Data collected through questionnaire was tabulated and presented in the form of tables. Likert 3 point of scale was preferred to present the bipolar opinions of respondents. Secondary sources include E-Journals and websites.

6.4 Statistical tools

ANOVA quantitative metric was performed to test the good fit of data and variability. Percentages used to represent the data in order to arrive at valid conclusion.

6.5 Limitations of the study

1. The sample is not quite large and any generalization requires in depth study.
2. Bengaluru is nicknamed as 'Silicon Valley of India', IT hub, garment centre and Science centre and collection of data from all startups is a difficult task.
3. Time, financial are the main hindrances emerged while collecting data.

7. Survey findings :

Table 1 reveals data about covid-19 challenges faced by startup entrepreneurs in Bengaluru. There are 102 startup entrepreneurs who have expressed strongly agree over the covid-19 challenges followed by 68 agree and 30 somewhat agree. Variation analysis of 102 strongly agree reveals that 21 respondents expressed about the challenge of managing the work environment, 20 felt about demand supply side shocks, 17 stated about accessing inputs and managing inventory. Further, the table reveals that 14 respondents indicated about workers unable to get work, 15 each voiced about increased economic vulnerability and policy uncertainty and disrupted chains and 14 spoke about workers unable to get work.

Variation analysis of 68 respondents who expressed agree reveals that 15 respondents expressing about increased economic vulnerability, 14 felt about managing the work environment, 12 indicated about demand and supply side shock. Further, the table reveals

about accessing inputs and managing inventory 9 stated about workers unable to get work and 8 viewed about policy uncertainty and disturbed chains.

Variation analysis of 30 respondents felt somewhat agree 6 each voiced about demand and supply side shocks and policy uncertainty and disturbed chain, 5 each indicated about workers are unable to get work and accessing inputs and managing inventory. Further, the table reveals that for each expressing about increased economic vulnerability and managing the work environment. ANOVA fails to accept H_0 and accept H_1 and hence it is concluded about the presence of significant variation in the data.

Table 2 reveals data about financial challenges faced by startup entrepreneurs. 100 respondents out of 200 strongly agree over the financial challenges faced by the startup entrepreneurs followed by 70 agree and 30 somewhat agree. Variation analysis of 100 respondents who expressed strongly agree revealed that 25 stated about the challenge of raising of capital, 22 spoke about pricing of the services 20 felt about working capital for later stage, 18 viewed about payment related problems and 15 voiced about selecting the right fund option.

Variation analysis of 70 respondents who have expressed agree reveals that 19 expressing about raising of capital, 15 viewed about payment related problems, 14 felt about pricing of the services, 12 expressed about working capital for the later stage and 10 indicated about selecting the right fund option.

Variation analysis of 30 respondents who have expressed some what agree reveals that 8 about selecting the right fund option, 7 expressed about raising of capital, 6 voiced about pricing of the service, 5 spoke about payment related problems and 4 viewed about working capital for later stage. ANOVA fails to accept H_0 and accept H_1 and hence it is concluded about the presence of significant variation in the data.

Table 3 reveals about marketing problems faced by startup entrepreneurs at Bengaluru. There are 105 respondents who have expressed strongly agree over the marketing challenges faced by startup entrepreneurs, followed by 70 agree and 25 somewhat agree. Variation analysis of 105 respondents who felt strongly agree reveals that 28 expressed about customer attraction, 25 spoke about understanding and dealing with customers, 20 indicated about competition from local market, 17 voiced about fragmented market and maintenance of CRM and 15 viewed about branding of the company.

Variation analysis of 70 respondents who said agree reveals that 16 spoke about understanding and dealing with customer, 15 each expressed about competition from local market and customers attraction. 14 felt about branding of the company and 10 indicated about fragmented market and maintenance of CRM.

Variation analysis of 25 respondents who stated somewhat agree, 6 each felt about understanding and dealing with customer and fragmented market and 5 felt about customer attraction and 4 each voiced about competition from local market and branding of the company. ANOVA fails to accept H_0 and accept H_1 and therefore it is concluded that there exist significant variation in the data.

Table 4 reveals data regarding the respondents awareness of elements of startup ecosystem. There are 105 respondents who have expressed strongly agree over awareness level followed by 65 respondents expressed agree and 30 somewhat agree.

Variation analysis of 105 respondents who said strongly agree reveals that 25 expressed about the elements of angel investors, 22 expressed about startup members and advisors, 2 each spoke about ideas, inventions and researches and other entrepreneurial minded people, and 18 spoke about startup team members.

Variation analysis of 65 respondents who stated agree reveals that 19 respondents stated about angel investors, 18 ideas, inventions and researches, 10 each felt about startup mentors and advisors and other entrepreneurial minded people, and pointed about startup team members.

Variation analysis of 30 respondents who stated somewhat agree reveals that 7 each expressed about angel investors and ideas, inventions and researches, 6 felt about other entrepreneurial minded people and 5 each spoke about startup mentors and advisors and startup team members. ANOVA fails to accept H_0 and accept H_1 and hence it is concluded about the presence of significant variation in the data.

8. Conclusion :

Covid-19 might have disturbed the state of progress but it can not disturb entrepreneurship. The governments governments intime declaration of several economic packages will result positively and slowly the recovery will start, which is essential to cater the demands of the customers. The Bengaluru startups have shown acceptable performance and in future they stand and raise like a sun. Young startups are assets of the nation and in the construction of a strong economy the startups contribution is very much.

Table – 1 Covid-19 challenges faced by Startup Entrepreneurs

Effects of covid-19 and related challenges	SA	A	SWA	T
Demand and supply side shocks	20	12	6	38
Increased economic vulnerability	15	15	4	34
Workers enable to get work	14	9	5	28
Accessing inputs and managing inventory	17	10	5	32
Managing the work environment	21	14	4	39
Policy uncertainty and disrupted chains	15	8	6	24
Total	102	68	30	200

Source: Field Survey

Note: SA=Strongly agree A= Agree SWA=Somewhat agree

Hypotheses

H ₀	There exist no significant variation in the data	Reject
H ₁	There exist significant variation in the data	Accept

ANOVA Table

Source of	SS	d.f	MS	F.ratio	% f Limit
Variation(from F table)					
Between	432.4356	(3-1) = 2	432.4356/2		216.2178/5.6888
the sample		= 216.2178		= 38	
Within the	85.3334	(18-3) = 15	85.3334/15		(2, 15)
Sample				= 5.6888	3.68

7899.5514 (35-1) = 34

Source : Field Survey

ANOVA Analysis : The calculated value being 38 higher than the TV = 3.68 @ 5% level of significance with $df = v1 = 2$ and $v2 = 15$ fails to accept H_0 and accepts H_1 . Therefore it is concluded here that there exist significant variation in the data.

Table – 2

Financial challenges faced by startup entrepreneurs

Financial challenges.	SA	A	SWA	T
Raising of capital.	25	19	7	51
Working capital for later stage.	20	12	4	36
Pricing of the services.	22	14	6	42
Selecting the right fund option.	15	10	8	33
Payment related problems.	18	15	5	38
Total	100	70	30	200

Source : Field Survey

Note: SA=Strongly agree A= Agree SWA=Somewhat agree

Hypotheses

H_0	There exist no significant variation in the data	Reject
H_1	There exist significant variation in the data	Accept

ANOVA Table

Source of	SS	d.f	MS	F.ratio	%5 f Limit
Variation(from F table)					
Between	493.3335	(3-1) = 2	493.3335/2	246.667/9.5	
the sample			= 246.667	= 25.96	
Within the	114.0000	(15-3) = 12	114/12		(2, 12)
Sample			= 9.5		3.88

607.3335 (15-1) = 14

Source : Field Survey

ANOVA Analysis : The calculated value being 25.96 higher than the TV = 3.88 @ 5% level of significance with $df = v1 = 2$ and $v2 = 12$ fails to accept H_0 and accepts H_1 . Therefore it is concluded here that there exist significant variation in the data.

Table – 3

Marketing challenges faced by startup entrepreneurs.

Different marketing challenges.	SA	A	SWA	T
Understanding and dealing with customer.	25	16	6	47
Competition from local market.	20	15	4	39
Fragmented market and maintenance of CRM.	17	10	6	33
Branding of the company.	15	14	4	33
Customers attraction and grasping the market.	28	15	5	48
Total	105	70	25	200

Source : Field Survey

Note: SA=Strongly agree A= Agree SWA=Somewhat agree

Hypotheses

H_0	There exist no significant variation in the data	Reject
H_1	There exist significant variation in the data	Accept

ANOVA Table

Source of	SS	d.f	MS	F.ratio	%5 f Limit
Variation(from F table)					
Between	643.3335	(3-1) = 2	643.3335/2	321.6667/12	
the sample			= 321.6667	= 26.80	
Within the	144.0000	(15-3) = 12	144/12		(2, 12)

Sample	= 12	3.88
787.3335 (15-1) = 14		

Source : Field Survey

ANOVA Analysis : The calculated value being 26.80 higher than the TV = 3.88 @ 5% level of significance with $df = v1 = 2$ and $v2 = 12$ fails to accept H_0 and accepts H_1 . Therefore it is concluded here that there exist significant variation in the data.

Table –4

Respondents Awareness of elements of startup ecosystem

Respondents awareness level	SA	A	SWA	T
Angel investors	25	19	7	51
Startup mentors and advisors	22	10	5	37
Ideas, Inventions and researches	20	18	7	45
Startup team members	18	8	5	31
Other entrepreneurial minded people	20	10	6	36
Total	105	65	30	200

Source : Field Survey

Note: SA=Strongly agree A= Agree SWA=Somewhat agree

Hypotheses

H_0	There exist no significant variation in the data	Reject
H_1	There exist significant variation in the data	Accept

ANOVA Table

Source of	SS	d.f	MS	F.ratio	% f Limit
Variation(from F table)					
Between	563.3335	(3-1) = 2	563.3335/2	281.667	281.667/11.33
the sample				= 281.667	= 24.86
Within the	136.0000	(15-3) = 12	136/12		(2, 12)

Sample	= 11.33	3.88
699.3335	(15-1) = 14	

Source : Field Survey

ANOVA Analysis : The calculated value being 24.86 higher than the TV = 3.88 @ 5% level of significance with $df = v_1 = 2$ and $v_2 = 12$ fails to accept H_0 and accepts H_1 . Therefore it is concluded here that there exist significant variation in the data.

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