



AN EMPIRICAL STUDY OVER CHANGES RELATED TO START-UP IN INDIA: PRE AND POST COVID

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ABSTRACT

In recent years, startups have emerged as important engines of economic development and employment creation. Start-ups have remained crucial for economies during the COVID-19 crisis. When the pandemic hit, several forward-thinking start-ups were quick to respond with new medical products and services. These companies were important in assisting many nations in making the transition to a completely digital work, education, and health system. Starting a business is a well-thought-out, methodical process that takes into account both internal and external variables that may have an effect on the venture's long-term viability. A number of key elements must be established before beginning the trip, including the venture's concept, target market size, and income and profit goals. Several problems and obstacles that an Indian start-up must deal with in the present environment are discussed in the article. This study has conducted a survey and collected 107 responses. the proposed hypotheses are tested using ANOVA. The results show that there is a significant impact of both covid 19 and government support over start-ups in India.

Keywords: Start-up, Covid-19, business, Digital India, GDP, Make in India.

1. INTRODUCTION

In the business world, start-ups are young businesses established to provide a new product or service for the market that consumers would find attractive and affordable.

Innovating new products and services is at the heart of startups, which aim to improve current ones while also establishing completely new categories of goods and services. This has the potential to upend entire sectors. As a result, many start-ups are dubbed "disruptors" inside their respective sectors.

A start-up firm functions in the same way as any other business on the surface. Customers will purchase a product that a team of workers has created. The way a start-up does business, on the other hand, sets it apart from other companies. (David et al., 2021)

Regular businesses just rehash previous efforts. Franchises are available to aspiring restaurant owners who want to take over an already successful business. To put it another way, they follow a pre-existing blueprint for how a company should operate. Start-ups on the other hand are tasked with creating something completely new. Meal kits like Blue Apron or Dinnerly, which give the same thing as restaurants—a chef-prepared meal—but with the convenience and variety that sit-down establishments can't match, may be an example of this in the food business. As a result, restaurants now have access to a client base of tens of millions rather than thousands.

Start-ups strive to improve their goods while simultaneously quickly expanding their client bases. In turn, this allows them to raise more money, which allows them to expand their goods and customer base even more. (Sunanda, 2017)

However, as everyone is aware of the impact of the pandemic of covid-19, the economy has suffered a major drift during this time period. The bigger business has somehow managed to sustain but startups have to either make some potential innovative changes or have to dissolve their business completely.

1.1. Impact of covid-19 on start-ups



Due to the COVID-19 issue, most current start-ups are facing major difficulties, since they are more susceptible to the shock of the epidemic than older incumbents. They're more likely to participate in high-risk operations than other SMEs, have trouble obtaining conventional sources of financing, and have a nascent connection with vendors and consumers. They also often have a small starting team, which makes them more susceptible to fluctuations in the availability of labour during pandemics.

For start-ups in an uncertain economic climate, financial assistance for their short-term liquidity requirements is essential in order to stay afloat. This support is crucial to their survival.

The financial fragility of businesses, particularly small and medium-sized enterprises (SMEs), is already being targeted by several nations' policy measures intended to protect the economy from the crisis. These include short-term liquidity support measures like loan guarantees, direct loans, grants or subsidies. Policy responses, on the other hand, should consider the differences between start-ups and other SMEs. Measures aimed particularly towards start-ups have been implemented in certain nations. There is a €4 billion fund for start-up liquidity in France, and Germany has established a customised start-up assistance programme to extend and facilitate venture capital financing. The UK has also created a co-financing fund for creative businesses who are having financial problems.

A decrease in supply and demand has affected most start-ups, save for those who provide and/or offer "critical services," educational technology, gaming or streaming service. Regardless of the preceding, supply chain network flaws have posed problems for all start-ups. It is true that the start-up ecosystem strives to be as flexible as possible in the current circumstances, focusing on innovation and diversification in business methods and operations.

1.2. Government support

When we say "startup," we're referring to an Indian company founded less than ten years ago with revenues under Rs 100 crore. I-MADE program has already been launched by the GOI to assist Indian entrepreneurs in creating 10 lakh (1 million) mobile app start-ups, as well as the Pradhan Mantri Mudra Yojana (Pradhan Mantri Mudra Yojana) initiative of the MUDRA Bank to provide micro-finance, low-interest rate loans to those from low socioeconomic backgrounds. 20,000 crore (\$3.2 billion in 2019 dollars) has been assigned for the program as an initial investment.

Key points of this scheme:

- 10,000 crore startup funding pool.
- Reduction in patent registration fees.
- Improved Bankruptcy Code, to ensure a 90-day exit window.
- Freedom from inspections for the first 3 years of operation.
- Freedom from Capital Gain Tax for first 3 years of operation.
- Freedom from tax for the first 3 years of operation.
- Self-certification compliance.
- New schemes to provide IPR protection to start-up firms.
- Built Start-up Oasis as Rajasthan Incubation Center.

To encourage entrepreneurship at the startup level, the Indian government has implemented a variety of policies and program. The "Make in India" initiative, which was launched in September 2014 to entice foreign investment and boost local manufacturing, is noteworthy in this regard. To boost startup confidence, the government raised the foreign direct investment (FDI) restrictions and



tightened IPR protections in most industries. India's government has launched a new program dubbed “Standup India”, aimed at encouraging female entrepreneurship and providing startup companies with bank financing, in order to make the country a top destination for new venture capitalists (VC). With 'Digital India,' a laudable and far-reaching program launched in 2015, every Indian resident may now access government services online, connecting rural regions by improving their digital infrastructure. This creates a tremendous potential for entrepreneurs in the country. There are numerous government and semi-governmental initiatives to assist startups. (Kumar, 2017)

- **Start-Up India**

For a period of three years, this program offers tax and compliance incentives aimed at reducing red tape and government restrictions.

- **MUDRA Yojna**

Startups may obtain bank loans to help them get their companies off the ground, expand, and become stable.

- **SETU (Self-Employment and Talent Utilization) Fund**

The government has assigned Rs 1,000 crore for promoting self-employment as well as new job creation, particularly in the technology sector.

- **E-Biz Portal**

Regulatory permits and licenses from 14 different sources are now available in one place on the government's e-biz site, making it easier for companies to conduct business in India.

- **Royalty Tax**

Business and startup companies now pay a lower 10% royalty tax instead of 25%, according to the Indian government.

All the state governments have come forward in order to support the startups during this crisis phase. States provided funds as well as offers and platforms for promoting new ideas. Even older and bigger businesses like Tata, Mahindra and reliance came forward to support startups through making investments in potential businesses.

2. LITERATURE REVIEW

(Sunithi, 2016) The world is in a state of emergency as spoken, trying desperately to avert another catastrophe of covid-19. New business models are being created by startups in India, which is why Startup India is all about defying expectations and inspiring a revolution. It paves the way for India to assume a central role in the emerging international order. As a growing economy, the study found that making money more readily available and less expensive, as well as making patent registration simpler and providing R&D credits are all important factors in the success of Startup India.

(Badra, Dr.Shailja; Sharma, 2016) The world has moved on from the doom and gloom of the 2008 recession. The Indian business community must engage in an atmosphere that encourages research and innovation, not just in technology and goods but also in all aspects of business. Instead of relying on new capital, intellectual capital will be key to the next phase of development. When it comes to Startup India, it's all about upending the status quo and igniting a new wave of innovative company ideas. It paves the way for India to assume a central role in the emerging international order. Based on the study, the researchers reported that it is very much important for the success of Indian startups that easy entry as well as exit, development credits, patent filling are made more accessible to every individual.



(Sarkar, 2016) With a population of 1.2 billion, India is the world's second most populous nation. India's employment sector has enormous potential for covering such a huge population. A new Asia-Pacific Human Development Report, however, warns that unemployment among young graduates in India would continue to rise over the next 35 years due to a chronic shortage of work opportunities. Every month, approximately 1 million Indians join the workforce, according to the Labor Ministry. Our "Honorable Prime Minister Dr. Narendra Modi", on August 15th, 2015, launched "Start Up India, Stand Up India" to encourage Bank Financing for start-ups and provide incentives to boost entrepreneurship and job creation in order to eliminate this shortage of the employment market. This research study conducted a Literature Review to determine the project's challenges, opportunities, and available funding. data obtained from other sources such as blogs, magazines and newspapers.

(Chatterjee, 2020) As a way to stimulate entrepreneurship and innovation, Prime Minister Narendra Modi of India established the Start-up India program. This paper provides an overview of the government's various initiatives under the Start-up India program. Some significant data about start-ups in India are discussed in this article, as well as a study of the success of the Start-up program and its contribution to the growth of India. One or two successful start-ups have been cited as examples. The causes behind the failure of Start-ups in India, as well as the methods in which the Start-up India initiative may address these issues, have been addressed.

(Bartik et al., 2020) Between "March 28 and April 4, 2020", the authors 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. To begin with, huge layoffs and plant closings had already taken place, just a few weeks into the crisis' progression. 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 companies. According to the study, the typical company with monthly expenditures over \$10,000 had just two weeks of cash on hand. Fourth, the vast majority of companies hoped to get help under the CARES legislation. Many people, on the other hand, were concerned about obstacles to participation in the program, such as red tape and difficulty proving eligibility. Experimentation allows us to compare loan take-up rates and company resilience impacts to grant-based initiatives.

(Anonymous, 2016) Using secondary data gleaned from government publications, magazines, academic journals, and newspapers this study examines the many government initiatives aimed at fostering circumstances that would lead to increased employment, entrepreneurship, and economic development. As a result, Startup India is a program that seeks to boost the country's entrepreneurship by making use of the growing workforce as a resource for prospective business owners. India's government's Startup India initiative is a complete package for young people with innovative company ideas in new fields. Startup India and other government flagship program like Make in India, Skill India, and Digital India have been declared by the Indian government as a way to help the nation grow and prosper. This research study attempts to evaluate these program. In addition, this research also assesses the different obstacles that businesses face in starting out and operating.

3. METHODOLOGY



This research work is based on a survey methodology and comprises of survey based on relevant hypothesis to achieve the objectives of the study. A questionnaire is made which is distributed among numerous small start-up related individuals and unemployed. A total of 107 responses were received which were sampled and then tested on with ANOVA. The respondents belonged to all types of start-ups and were not related to specific area of business. The study area for this research was Delhi, India. A total of 14 questions were sent in a form of questionnaire to the respondents.

Hypotheses:

H₀₁: There is no significant impact of covid 19 over start-ups in India.

H_{a1}: There is a significant impact of covid 19 over start-ups in India.

H₀₂: There is no significant impact of government support over start-ups in India

H_{a2}: There is a significant impact of government support over start-ups in India.

4. RESULTS AND DISCUSSION

This section presents the responses of the respondents along with the hypothesis testing and further discusses it. The collected data was properly sampled in such a way so that an ANOVA one way can be used for testing of the hypotheses.

Demographic information:

Gender	Count	Percentage
Female	47	43.93%
Male	60	56.07%
Total	107	100.00

Based on the above-mentioned responses, there are a total of 107 respondents comprising of 47 females and 60 males.

AGE GROUP	Count	Percentage
18-25 years	27	25.23%
26-35 years	38	35.51%
35- 45 years	35	32.71%
46 and above	7	6.54%
Total	107	100.00

Based on the above-mentioned responses, most of the respondents are from the age group of 26-35 years and from age group of 46 and above, only 7 respondents are there. This shows that people tend to initiate implementing new ideas at young age.

EDUCATION	Count	Percentage
10 TH PASSED	11	10.28%
12 TH PASSED	47	43.93%
GRADUATION	40	37.38%
PG and above	9	8.41%



Total	107	100.00
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Based on the above-mentioned responses, maximum of 47 respondents are 12th passed followed by 40 respondents who are graduated. Respondents are post-graduate or have attained higher degree seems to less likely prefer startups.

Responses:

Have u ever made invested or initiated any startup?		
	Count	Percentage
Yes	64	59.81%
No	43	40.19%
Total	107	100.00

It can be seen on the basis of the above-mentioned responses, that most of the respondents have either invested or established a startup.

Do you prefer investing in startup after the impacts of covid-19?		
	Count	Percentage
Yes	44	41.12%
No	39	36.45%
Maybe	24	22.43%
Total	107	100.00

Even after the bad effects of covid-19 on economy, most of the respondents are still ready for new startup as they see a better scope for new ideas.

QUESTIONS/RESPONSES	Strongly Agree	Agree	Neutral	Strongly Disagree	Disagree
Even though covid-19 has been bad for economy of the nation, it has motivated the youth towards start-ups	32	41	6	14	14
Investing in startups post covid have developed to be more innovative	29	31	17	17	13
The flow of financial help has decreased for startups post-covid	56	29	1	1	20
There has been a loss in customer base for startups post-covid as even customers are facing financial crisis.	24	34	14	19	16
The support from government is supportive but not sufficient	35	44	2	11	15
The government help is not easy to attain and entrepreneurs have to go through a long procedure even after which they might end empty handed.	23	30	18	31	5



Government's schemes need to be more simplified and more innovative	28	31	29	10	9
Government schemes should increase their range in order to reach the entrepreneurs	39	30	10	8	20
A positive and effective approach from older businesses towards the startups will provide a better support to the new startups and will reduce the burden from the government.	19	32	28	23	5

Its clear from the above-mentioned responses that youth is motivated towards startups even after the downfall of economy which was an impact of covid-19. In addition, people agree that the impact of covid-19 has given them a pause to think about their ideas and to learn new things. However, it can be observed that financial help have stopped and many startups are suffering from financial crisis. The help from government have provided with a support but still major steps are being expected to boost new ideas and innovations.

4.1. Hypothesis testing

Hypothesis 1

H₀₁: There is no significant impact of covid 19 over start-ups in India.

H_{a1}: There is a significant impact of covid 19 over start-ups in India.

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	6481.2	4	1620.3	15.36703	6.79E-06	2.866081
Within Groups	2108.8	20	105.44			
Total	8590	24				

The above table shows the result obtained from hypothesis testing. The value of $p < 0.05$ which states that there is a significant impact of covid 19 over start-ups in India.

Hypothesis 2

H₀₂: There is no significant impact of government support over start-ups in India

H_{a2}: There is a significant impact of government support over start-ups in India.

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1750.8	4	437.7	5.739575	0.003035	2.866081
Within Groups	1525.2	20	76.26			
Total	3276	24				

The above table shows the result obtained from hypothesis testing. The value of $p < 0.05$ which states that there is a significant impact of government support over start-ups in India.

5. CONCLUSION



India's economy is now growing at a rapid pace. Increasingly, the Indian government shows a stronger desire to boost GDP development from the bottom up by introducing liberal laws and programs for businesses such as "Make in India", "Startup India", MUDRA, and so on. For Indian start-ups, the "Make in India" initiative is a gold mine. Investing heavily in nurturing entrepreneurs by the government has the potential to stop the brain drain and create an atmosphere where local talent is more readily available for startups to hire. Even though covid-19 has harshly impacted the economy of the nation as well as national and international businesses, people are showing positive attitude towards startups. It can be observed from the outcome of the survey that although financial help have reduced to a great extent and most of the startups are suffering from financial crisis, people are still ready for implementing their new ideas. The help from government have provided with a support but still major steps are being expected to boost new ideas and innovations.

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