

*Review Article*

## An Empirical Study on Impact of Indian Start Ups, a Rising Factor of New Start up After Covid-19 with Special Reference to the Road-Side Entrepreneurs

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**Abstract**

COVID-19 has adversely impacted the overall investment sector. While businesses across all sectors can sense the repercussions of COVID-19, start-ups have particularly been one of the most vulnerable, and in fact, are facing various formidable challenges both, from a business as well as from an operations' perspective. Most start-ups have witnessed a decline in supply and or demand, except for those start-ups that are engaged in the supply and, or delivery of 'essential services', educational technology, gaming or streaming services. Notwithstanding the above, glitches in the supply chain network have either way presented challenges for all start-ups. However, the start-up ecosystem has been continuously striving to adapt to the present situation as flexibly as possible, by focusing on the need to innovate and diversify their business techniques and its operations.

Startup India is a Government of India flagship initiative to build startups and nurture innovation. Through this initiative, the Government plans to empower startup ventures to boost entrepreneurship, economic growth and employment across India. India's startup eco-system has become a talking point for the entire world. With hundreds of innovative youngsters choosing to pursue the path of entrepreneurship instead of joining the multinational corporations and government ventures, the business world has witnessed an explosion of ground-breaking startups providing solutions to the real problems at a mass level in the past years.

In the past couple of years, the start-up ecosystem in India has emerged as a reckoning force, largely attributable to the efforts of the stakeholders, and the initiatives implemented by the government to facilitate the growth of the start-ups. Investments in start-ups have dramatically surged to \$14.5 billion in 2019 from the previously \$550 million in 2010.

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 eco-system.

**Keywords:** Start-ups Management, Entrepreneurship, COVID-19, Road side Entrepreneurs, Indian Start-Ups

**COVID-19's impact on Start-ups**

It is suggestive that the value of investments in India have fallen to \$0.33 billion in March 2020 from \$1.73 billion in March 2019, which indicates a fall of nearly 81.1%. There has been a total

fall of 50% in the number of companies funded - presently, 69 firms in March 2020, in contrast to 136 firms in March, 2019<sup>5</sup>. Further sources suggest that sometime between mid-February, 2020 & end of March, 2020, a number of investors have also

pulled back from closing current funding rounds<sup>6</sup>. Thus, one of the major challenges faced by the start-ups has now become sourcing funds, which has resulted in cash flow issues, for many<sup>7</sup>.

The lock-down has not only impacted the daily business operations, but it has also forced a good-many start-ups into preparing for contingency plans to limit workforce and to cut down employee salaries. Various start-up founders have also taken pay-cuts to limit the losses faced.

### *Background of study and Significance of Study*

Startups have played and continue to play significant roles in the growth, development and industrialization of many economies all over the world. Startup is flagship initiative of the government of India, intended to build a strong ecosystem for nurturing innovation. Startup will drive sustainable economic growth and generate large scale employment opportunities and minimize unemployment.

The study is confined to new road side Entrepreneurs and influencing factors to start startup in India. The functional scope of the study is to suggest remedial measures for the successful growth and development of entrepreneurs in India.

### *Significance of the Study*

- To study the impact of Indian Start Up after COVID-19.
- To study the rising factors of Indian startups.
- To study the factors responsible for raising the startups specially road-side entrepreneurs in India.
- To suggest measures for uplifting the status of road side entrepreneurs in India

### *Hypothesis:*

- **H0:** COVID-19 impact helps significantly for raising the new road side entrepreneurs in India.
- **H0:** There is no association between the demographic factors of startups and impact of COVID-19.

### *A Brief about the Present Research Status:*

Literature review helps in understanding the topic a bit more and finding out the research gaps as well. Usually this review contents research work, reports and newspaper articles which are related to the topic and provide a deep understanding and

sense about the topic/subject being discussed. This research paper has the following literature review.

1. Badra, Shailja, Dr. and Sharma, Vivek in their research paper title "Start-up India- New Opportunities for the Entrepreneur" (2016) write "The success of Start-up India campaign hinges on initiatives like faster and easier registration of Companies, self-certification for many legal requirements, zero inspection for three years, funding for patents, and speed of patent protection. It is important to add provisions which aid the closure of dead companies within 90 days. Indian lawmakers could do this under the new bankruptcy bill. The central theme is that ease of starting and ending is critical in the context high rate of start up mortality. The Government proposal do so, across Universities, innovation movements, research parks and industry parks is on similar lines. The promise of an initial capital of ten thousand crores over a period of four years from the government is capable of attracting tenfold investment by 2022. Credit guarantee for startup lending is the booster dose required to galvanize Indian industry. Incentives in the form of tax holiday for three years are a benefit worth considering."
2. Report title "Start-Up India- an Overview" Prepared by Grant Thornton for ASSOCHAM India (2016) writes "Startups have been the flavour of the season over the last few years for the Indian markets. This has resulted into the emergence of a number of home grown unicorns across the country. One of the major contributors leading to this development has been the mega funding that has been ploughed into most of these unicorns between the period 2007 and 2015. This has been in line with the global trend dominating the space. Even the aspiring unicorns have had a decent run during this period, where managing to find investors is usually considered a tough task. The trends of investments suggest that investors want to enter as an early investor, even before the start of the firm. From an overall viewing, India comes across as a thriving under-penetrated consumer driven market with a scope for exponential growth. Internet penetration and its increasing importance will drive most of the businesses. On account of the consumer demographics, with China being out of bounds, India offers the largest pie of investment opportunity that the world is eyeing."
3. Andaleeb, Uruba and Singh, S.D, Dr. In their research paper title "A study of Financing

- Sources for Start-up Companies in India”(2016) explain that “Before the recent hysteria of Startups, India was mostly popular as an IT outsourcing destination that provided cheap and easy labor to the global companies for carrying on various back-end jobs. Technology startups in India date back almost three decades. On compilation of the Industry’s major landmark, Microsoft Accelerator in India came up with four distinct phases of growth and maturity that have traversed so far: software services and global delivery model, the dotcom era, the rise of product startups and growth of startup ecosystem. Some of the milestones include US-based Texas Instruments’ decision to start an R&D centre in Bangalore in 1985 which further served to be an incubator for many of the current entrepreneurs and the launch of the infamous accounting software Tally in 1986. Aiming to foster entrepreneurship and promoting innovation by providing an ecosystem that is conducive for growth of Start-ups, with an object to facilitate India become a nation of job creators instead of being a nation of job seekers, the Indian Prime Minister launched the initiative formally on January 16, 2016 from VigyanBhawan, New Delhi.
4. Report title “Start - Ups: What You Need To Know”(2016) Prepared by “Nishith Desai Associates (NDA)” explains “A startup is faced with a number of issues that have to be dealt with in order to grow into a successful organization. Apart from planning the most effective business strategy for the company, the startup needs to look at the regulatory environment, various legal issues, and the laws of the country where the start-up is proposed to be set up. In addition to this, the startup will also need to examine the regulatory and tax regimes of locations it plans to do business in. In many instances, structuring the correct set up for a startup helps to prevent future complications, and mitigate regulatory and tax risks at a future stage when the startup is nearing maturity Perhaps the first step a startup needs to take is to determine how it will be setup, from where the seed investment required to set up the startup entity needs to be brought (colloquially referred to as “Structuring”) and what sort of entity it would like to function as. For certain professions, this may be limited to partnerships though the preferred entity tends to be a company. Incorporating a company requires certain steps, which we deal with in this paper.”
  5. Wagh, Madhura, in her research paper title “Government initiative for Entrepreneurship development. Start up India Stand up India” (2016) writes “In India Entrepreneurship is less desirable career choice. Government policies and programmes, education and training are regarded as main constraining factors for entrepreneurship. Recommendations were directed towards liberalisation of government policies, capacity building through training and education, restructuring through incentives and tax structure to promote entrepreneurship and increased investment in research and development through growth in innovation. To address these recommendations ‘Start up India Stand up India’ initiative is announced by government. It is an initiative by government ‘to build strong eco system for nurturing innovation and start-ups in the country that will derive sustainable economic growth and generate large scale employment opportunities”
- Sharifi Omid and Hossein, Karbalaee, Bentolhoda. In their research paper title “Understanding The Financing Challenges Faced By Start-ups In India” (2015) explain “India is a country in South Asia. It is the seventh-largest country by area and the second-most populous country with over 1.2 billion people. Large population implies a large potential market in India; however, it also leads to heavy employment pressure in Indian society. In recent years the self-employment consciousness among college students are increasing and the students are less likely to rely on parents or schools or wait for opportunities. Instead, they tend to take initiative to look for new chances for themselves. Many businesses start with a dream, but it takes more than just a dream for them to grow into successful businesses – including the tenacity to overcome the many challenges facing startups today. Startups take time, effort, and energy.
- Funding is a major concern for startups and small businesses. When the economy tanked, it made it harder to convince investors and banks alike to part with the cash that is essential for growth in the early days of a business. Credit today is tight, and it is not clear precisely when it will become more readily available. Plus, there is a growing trend of smaller initial investments in early stage startups. Intensifying the challenge of raising funds, major leaps in technology have led investors

to raise the bar in terms of how much legwork entrepreneurs are expected to do before even pitching their companies”

6. NarendraModi (2016) stated that, the Start-up India is a revolutionary scheme that has been started to help the people who wish to start their own business. These people have ideas and capability, 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 and a strong nation.
7. Grant Thornton (2016) define, the start-up business as an organization which is an entrepreneurial venture/a partnership or a temporary business organization engages in development, production or distribution of new products/services or processes. Institute for Business Value (IBV) (2018), India is booming with young entrepreneurs and start-ups but more than 90 per cent of start-ups in the country are failed because of, lack of innovation, non-availability of skilled workforce and insufficient funding are the main reasons for the high rate of failure.
8. NipunMehrotra (2018), “The Indian start-up community, ranked third globally in terms of number of start-ups, has been creating new job opportunities and attracting capital investment. We believe that start-ups need to focus on societal problems, including healthcare, sanitation, education, transportation, alternate energy management and others, which would help deal with the issues that India and the world face. These require investments in deep technology and products which are built to scale globally.

#### *The objectives are to study:*

- a. To study the impact of Indian Start Up after COVID-19.
- b. To study the rising factors of Indian startups.
- c. To study the factors responsible for raising the startups specially road-side entrepreneurs in India.
- d. To suggest measures for uplifting the status of road side entrepreneurs in India.

#### **Research Methodology**

The research is primarily both exploratory as well as descriptive in nature. The sources of information are both primary & secondary. A well-structured questionnaire will prepared and

personal interviews would conducted to collect the customer’s perception and buying behavior, through this questionnaire.

#### **Sampling Methodology**

##### *Sampling*

The researcher has used the simple random sampling as it is based on the empirical study. A simple random sampling is a sampling technique where every item in the population has an even chance and likelihood for being select in the sample. The sample size in this sampling method should ideally be more than a few hundred so that simple random sampling can be applied in an appropriate manner. In this research the researcher has taken total population is  $N=360$ , and as per formula specifies of sample size that ( $N$ ) is the Population size and ( $n$ ) is sample size are used in this study.

$$\text{Formula: } P = \frac{1-N-1}{N} \cdot \frac{N-2}{N-1} \dots \frac{N-n}{N-(n-1)}$$

$$\text{Cancelling} = \frac{1-N-n}{N}$$

$$= \frac{n}{N}$$

The sample size is calculated based on the confidence level and errors acceptable are stated below

$$\text{Population } N = 360$$

$$\text{Sample Size: } 186$$

$$\text{Confidence Level: } 95\%$$

$$\text{Confidence Interval (error acceptance): } 3.3\% \text{ to } 5\%$$

##### *Sample size*

The sample size will restricted to only 186, which comprised of mainly employees from different departments.

##### *Primary Data*

Primary data are those who give the first one and not been used by any other researches. The data has been collected through observations and survey method. In this primary source of data will be collected from the customers, from field and also will have the discussion with the key persons of different successful entrepreneurs in Kolhapur. The Simple Random Sampling method would be used for selection of sample for collection of primary data.

##### *Secondary Data*

The study is based on the secondary data which

has been collected through websites, newspapers, magazines, govt. reports, books, research papers etc. In this method researcher has collected information from supervisors and assistant of different departments and supervisor Successful Startups in Kolhapur District.

### **Research Project Impacts**

The current economic scenario in India is on expansion mode. The Indian government is increasingly showing greater enthusiasm to increase the GDP rate of growth from grass root levels with introduction of liberal policies and initiatives for entrepreneurs like 'Make in India', 'Startup India', MUDRA etc. 'Make in India' is great opportunity for the Indian start-ups. With government going full hog on developing entrepreneurs, it could arrest brain drain and provide an environment to improve availability of local talent for hiring by startup firms. The startup arena has lot of challenges ranging from finance to human resources and from launch to sustaining the growth with tenacity. Being a country with large population, the plethora of opportunities available are many for startups offering products and services ranging from food, retail, and hygiene to solar and IT applications for day to day problems which could be delivered at affordable prices. It is not out of place to mention that some of these startups would become unicorns and may become world renowned businesses by expanding into other developing and underdeveloped countries.

### **Impact**

This project will help to the most of the startups who can work in the field of ecommerce and some of these startups are now has grown into huge corporation, which will be the direct competition with global leaders.

It also helps startups and their founder who has revealed that highly educated and talented young entrepreneurs are founding their passion in the form of startups. The number of such people, who do not want to work for other, but for them, is on the rise in India and it is one of the reasons to celebrate.

### **Conclusion**

The success of Startup India campaign hinges on initiatives like faster and easier registration of Companies, self-certification for many legal requirements, zero inspection for three years, funding for patents, and speed of patent protection.

It is important to add provisions which aid the closure of dead companies within 90 days. Indian lawmakers could do this under the new bankruptcy bill. The central theme is that ease of starting and ending is critical in the context high rate of startup mortality. This research paper found that respondents supported the idea of funding for incubation centers. The Government proposal do so, across Universities, innovation movements, research parks and industry parks is on similar lines. The promise of an initial capital of ten thousand crores over a period of four years from the government is capable of attracting tenfold investment by 2022. Credit guarantee for startup lending is the booster dose required to galvanize Indian industry.

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