



An Emperical Analysis Of The Impact Of Pandemic On Start-Ups In India

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ABSTRACT

A pattern of industry development with cumulative increase year over year is necessary for any developing nation. Governments attempt to construct industries for the nation's development, but this takes a lot of initiative and work, which calls for an entrepreneurial mindset. Indian conditions are ideal for start-ups due to a number of variables, including the country's large consumer market and significant industry development potential. The Indian start-up industry has demonstrated a significant impact on the nation's economic growth in recent years, and this contribution to the Indian economy is still present today. The Indian economy is growing, and the government is aiming for a 3 trillion dollar economy in the near future, but what about the financial stability of startups following the COVID-19 pandemic? Is it still promising, and does it have any impact? The start-ups financial health before and after COVID 19 is the main focus of this research. The objective of research is to determine the state of currently operating start-ups and the beginning of new projects. For in-depth investigation of the aforementioned goals, the exploratory research method is employed.

Keywords: Start-ups, COVID 19, GDP, job opportunity, market growth, NNI

INTRODUCTION

The Indian Government launched the historic and groundbreaking “Start-up India” initiative in August 2015, spearheaded by the esteemed Prime Minister, Shri Narendra Modi. Through the Made in India program, the start-up initiative seeks to transform the Indian economy from one job seeker to one of job developers. From an economic perspective, a “start-up” is a business initiative created by one or more individuals to develop any novel service or product that advances the national economy. It is a combination of operations carried out in stages. As of January 1, 2022, the estimated population of India was 1,408,044,253 people. The population has increased by 1.26% from the previous year; many young people are searching for work to support themselves. In order to create jobs, a government must open new avenues for business development. Starting a new business is the most effective way to generate a large number of jobs, and foster the entrepreneurial spirit of young people in developing economies. India ranks second globally in terms of startup activity. After placing 17th in 2019, the nation dropped six spots to 23rd in 2020. The report states that in order to further support its start-up ecosystem, India must increase the speed and quality of its internet infrastructure. Under the Make in India initiative, the Indian government has established a conducive environment for young, technical start-ups by promoting innovative research and development that develops young people’s skills. Startups are now significant forces behind job creation and economic expansion. Indeed, between 10% and 20% of jobs are held by young businesses; innovation in these businesses is a primary driver of productivity growth in US, accounting for half of it. Even in rapidly adapting to the pandemic, some creative startups have assisted numerous nations in making the shift to entirely digital employment, healthcare, and education system, as well as bringing innovation to medical products and services. In the midst of the corona virus (COVID 19) crisis, startups remain vital to the economy.

1.1 The Indian Startup Environment

India is experiencing a boom in the start-up scene, and the announcement that twelve more unicorn start-ups (businesses under ten years old with a minimum valuation of \$1 billion) will be added by 2020 will only make this ecosystem seem more prosperous and sustainable. India is ranked third in the world for the largest start-up ecosystem. According to the DPIIT assessment report for FY 2021–2022, India had 61,400 recognized start-ups despite the fact that the entire nation creates more than a thousand new businesses every year. "Over the past few years, there has been a remarkable and discernible increase in the country's startup journey." The number of new start-ups is steadily rising, with an estimated 14,000 in 2021–22 compared to 504 in 2016–17, according to the survey [2]. The nation's ecosystem and infrastructure always play a critical role in the development of industries. Though young start-ups lack a strong foundation or financial support system, a supportive ecosystem offers them a clear path forward and helps to sustain a stable economic standing. Young start-ups receive significant financial and non-financial support from the Indian government through a network of financial institutions, small-scale industry support programs, and tax exemptions.

1.2 India in global startup counts

Prominent businessmen like Elon Musk, Mark Zuckerberg, and Steve Jobs launched some of the most valuable companies in the world from modest beginnings. A startup is a young business that has created a novel idea in order to gain market share and make an immediate impression. High-value startups are referred to as unicorns, a term that highlights their elusiveness. The world's two unicorn capitals are China and the US, but America is also one of the startup-heavy regions. India and South Korea have lower rates of startup involvement among their populations. In contrast, the United States has nearly three times as many start-ups as the next nine countries combined. According to the number of start-ups, Table 1 displays the ranking of country.

Country	Rank
United States	1
India	2
United Kingdom	3
Canada	4
Australia	5
Indonesia	6
Germany	7
France	8
Spain	9
Brazil	10
Singapore	11
Netherlands	12

Table 1: Country-wise ranking in numbers of start-ups

1.3 Indian start-ups abroad

Indian youth have demonstrated their talent for many years on international stages, whether it be in open ground or entrepreneurship. Over the past few years, India has accomplished a great deal, particularly in the field of entrepreneurship, producing numerous start-ups that have left their mark on the global scene [3]. Many of those startups were reaching incredible heights with their offerings.

1.4 Startups' role in boosting the economy

As we can see, a strong industrial environment and favorable working conditions have contributed to the strength of many economies around the world. India is still in dire need of jobs, and startups are a great way to help create employability and inspire people to support the development of a robust economy, which boosts GDP and per capita income. Figure 2 highlights a few key aspects of how startups are bolstering the Indian economy.

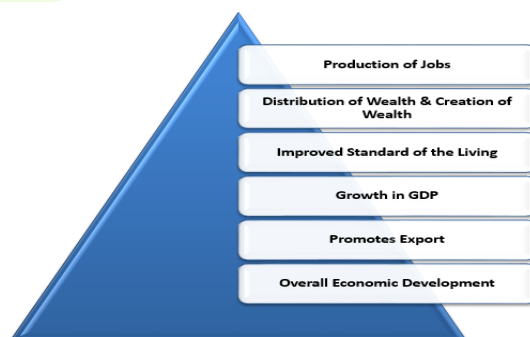


Figure 2

LITERATURE REVIEW

The journey began in 2016 and is still ongoing. Young minds are currently creating new ideas, and India is growing into the second-largest nation with a robust startup ecosystem with the help of investment and government initiatives. As we worked on the current study, we discovered that a number of writers had previously written about startups and their ideas. Additionally, some related research about how well startups perform in the Indian economy is currently being assessed.

The largest ecosystem for startups is in India, which lags behind other major nations by a small margin. Although startups are valued at more than 32 billion USD, the ecosystem still needs to mature [5][9]. Because start-ups are small in the beginning and need capital to make significant decisions, investor funding is another criterion used to assess a start-up's performance [6]. Small enterprises thus begin to test trading in the informal economy, even though statistical analysis reveals that businesses founded by men and with low current annual turnovers, particularly in certain sectors, are likely significantly more numerous [7]. The success of start-ups is dependent on a number of variables, including the general state of the economy and, occasionally, the financial circumstances of the clients[8]. There is no denying the role that technology has played in the success of so many start-ups, as it has enabled businesses to reach a wider audience of potential customers[10][11]. Any business's performance is dependent on a number of internal and external factors, some of which are controllable and others, like pandemics, are not [12][15]. Market instability and uncertainty are always important conditions for both new and established businesses. While established organizations are more accustomed to dealing with these conditions, start-ups lack the confidence to do so because of their lack of funding[13][14]. Business growth is always accelerated by a nation's development policy if it is hassle-free and supportive; creating a supportive ecosystem is essential for any nation [16]. Furthermore, if foreign policy is encouraging and startups have promise, it might aid in the globalization of new businesses [17]. It has been observed that technical fields are in high demand by start-ups and that not many other fields are as popular. Particularly Edtech start-ups like BYJU's, Vedantu, and Unacademy are flourishing; other start-ups in the FMCG and online delivery services sectors are also making significant strides in the start-up space [18].

3-RESEARCH METHODOLOGY

In this research, we have attempted to take a specific research objective along with a problem statement that can be significantly investigated.

3.1 RESEARCH OBJECTIVES

The aim of the research is to examine how pandemics affect the sustainability of start-ups in relation to different aspects of the Indian economy, to assess the influence of funding and sustainability on start-ups, and to assess the initiative of start-ups.

3.2 PROBLEM STATEMENT

The favorable technological and opportunity environment is enabling Indian start-ups to grow at a faster rate than before. In India, starting a new business is not difficult, but healthy sustainability depends on a number of factors, so it is important to analyze these factors and their effects on start-ups' financial situations. Among these are natural disasters and pandemics such as COVID-19.

The Government of India has launched a number of initiatives to support these emerging new companies and encourage young entrepreneurs to take up these initiatives. In recent years, new companies have been actively contributing to the GDP of the Indian economy. We have attempted to conduct an analytical investigation of the founding conditions from an Indian perspective. However, some questions regarding the impact of the pandemic on the economic health of start-ups may arise before we get into that. Some of the analysis's questions are;

- a) Comparison of startup performance prior to and following the pandemic
- b) Effect of startups on the economy of India both before and after the pandemic?
- c) How do start-ups before and after the pandemic affect GNI?
- d) Effects on GVI of start-up before and after the pandemic.
- e) Effects on NNI of start-ups before & after pandemic.
- f) Jobs Prior to and Following the Pandemic Reported by Startups?

3.3 Types of Variables

3.3.1 Start-ups as Independent variable

3.3.2 Dependent variables such as Unicorn Start-ups before and after the pandemic, GDP (Gross Domestic Product) before and after the pandemic, GNI (Gross National Income) before and after the pandemic, and GVA (Gross Value Added) before and after the pandemic were taken into consideration.

3.4. Research design

The author has chosen the descriptive research design for the analytical and successful research.

3.5. Data collection source

Primary and secondary data are the two categories of data. For this study, secondary data were utilised in the research.

3.6 The analysis of this study takes into account reports from various financial institutions, research publications, newspapers, DIPP reports, and Start-up India department reports.

3.7. Population & Sample size

Data on startups' annual economy that is registered. The sample size data for the 2016–2021 period. Since the start-ups Indian initiative was put into practice in 2016. Data on economic variables and the number of registered start-ups from the DIPP report have been discussed.

4. Analysis & Interpretation of Data

We used a data set on Indian start-up initiation rates from 2016 to 2021 for this study. All of the information was gathered from DIPP and numerous institutional yearly reports.

4.1 Indian government registration and recognition of startups

Based on data gathered from multiple reports, the quantity of start-ups authorized and registered by the Indian government between 2016 and 2021. In contrast, India is the second-largest country in the world for the number of start-ups across all industries, with a growth in registrations observed. The figures are shown year-by-year in Table 2.

Year	2016	2017	2018	2019	2020	2021
No. of start-ups recognized by Indian Government	504	5420	8946	11683	14778	42733

Table 2: No of start-ups and Yearly Growth [25]

4.2 Startup figures turn into unicorns

The widest variety of Indian unicorns began to appear in FY 2021, FY 2020, and FY 2019 (44, 11, and 7, respectively). Geographically, in the midst of the country's high-tech sector, Bengaluru is the unicorn capital of India, home to the majority of the country's headquarters of unicorns, followed by Delhi (NCR) and Mumbai. Table 3 displays the annual number of Start-ups that converted to Unicorn.

Year	No of start-ups registered by Indian Government	Unicorn start-ups
2016	504	2
2017	5420	0
2018	8946	9
2019	11683	7
2020	14778	11
2021	42733	44

Table 3: Number of Unicorn Start-ups yearly

Parameter	Value
Pearson correlation coefficient (r)	0.9827
P- value	0.0004438
Covariance	236666.8667
Sample size (n)	6
Statistic	10.6277

Table 3.1

Result: Correlation between number of start-ups become unicorn = 0.9827

Analysis of Table 3.1 revealed a non-significant large positive relationship between the number of start-ups that became unicorns and the number of start-ups that were registered year-by-year.

4.3 pre- and post-pandemic contributions of start-ups to India's economy

Year	No. of start-ups recognised by Indian Government	GDP (in cr at current price)
2016	504	13771874
2017	5420	15391669
2018	8946	17090042
2019	11683	18886957
2020	14778	20351013
2021	42733	19745670

Table 4: No of start-ups with GDP(current price)

Parameter	Value
Pearson correlation coefficient	0.693
P- value	0.1269
Covariance	26800602130
Sample size	6
Statistics	1.9226

Table 4.1

Result: The correlation between GDP (current price) and start-ups is 0.693.

Interpretations: We computed a positive correlation between the number of start-ups and GDP in Table 4.1, indicating that start-ups played a role in the expansion of the Indian economy.

4.4 Impact of start-ups on GNI at current price

Year	No. of start-ups recognised by Indian Government	GNI (in cr at current price)
2016	504	13612095
2017	5420	15077384
2018	8946	16905220
2019	11683	18684632
2020	14778	20157899
2021	42733	19561349

Table 5: No of start-ups with GDP at current price

Parameter	Value
Pearson correlation coefficient	0.6943
P – value	0.1259
Covariance	26965125130
Sample size	6
Statistic	1.9293

Table 5.1

Result: The correlation between GNI and start-ups at the current price is 0.9827.

Interpretation: We computed a positive correlation between the number of start-ups and the GNI in Table 5.1 , indicating that start-ups helped to raise the GNI of the Indian economy.

5.5 Effect of startups' GVA both before and after the pandemic

Year	No. of start-ups recognised by Indian Government	GVA(in cr at current price)
2016	504	12574499
2017	5420	13965200
2018	8946	15505665
2019	11683	17161213
2020	14778	18461343
2021	42733	17915167

Table 6: No of start-ups with GVA (current price)

Parameter	Value
Pearson correlation coefficient (r)	0.6929
P-value	0.1271
Covariance	24088969880
Sample size(n)	6
Statistic	1.9211

Table 6.1

Result : The correlation between GVI and start-ups at the current price is 0.6927.

Interpretation: We computed a positive correlation between the number of start-ups and the GVI in Table 6.1 , indicating that start-ups helped to raise the GNI of the Indian economy.

5.6 Startups' effects on NNI

Year	No of start-ups recognised by Indian Government	NNI (in cr at current price)
2016	504	12162398
2017	5420	13492657
2018	8946	15140418
2019	11683	16704645
2020	14778	17994301
2021	42733	17461759

Table 7: No of start-ups with NNI (current price)

Parameter	Value
Pearson correlation coefficient (r)	0.6923
P-value	0.1275
Covariance	23920339890
Sample size(n)	6
Statistic	1.9188

Table 7.1

Result: start-ups and NNI at current price have a correlation of 0.6923.

Interpretation: We computed a positive correlation between the number of start-ups and the NNI in Table 7.1, indicating that start-ups helped to raise the NNI of the Indian economy.

5.7 Effect on employment as reported by startups

Year	No of start-ups recognised by Indian Government	Jobs reported
2016	504	10
2017	5420	49000
2018	8946	96000
2019	11683	150000
2020	14778	170000
2021	42733	200000

Table 8: No of jobs reported by start-ups

Parameter	Value
Pearson correlation coefficient(r)	0.8087
P-value	0.05141
Covariance	923695520
Sample size	6
Stastic	2,7493

Table :8.1

Result: There is a correlation of 0.8087% between the number of start-up and jobs reported.

Interpretation: Table 8.1 displays the correlation between the number of start-ups and jobs reported . The test results indicate a positive relationship, indicating that start-ups helped to create jobs that supported the growth of the Indian economy.

6 RESEARCH FINDINGS

Variables of Indian economy	No of Unicorn Start-ups Yearly	GDP at current price	GNI at current price	GVA at current price	NNI at current price	Jobs reported
correlation	0.9827	0.693	0.9827	0.6927	0.6923	0.8087
Results	Positive	Positive	Positive	Positive	Positive	Positive
Impact	Positive	Positive	Positive	Positive	Positive	Positive

Table 9: Correlation of start-ups between various variables

It is evident from relevant research and testing that startups have an impact on the Indian economy both before and after the pandemic. Table 9 shows that startups are growing more and more in terms of GDP, GNI, GVI, NNI, and the number of jobs that are reported. In this context, the benefits of startups for the expansion of the Indian economy are evident, and India's development as a developing nation is unaffected.

Discussion:

Startups have the power to change the world, and with innovation and creativity, many more will emerge in the coming years. The only way to improve a country's economic process is via entrepreneurship. Developing the concept into startups and helping our country grow. We can now conclude that startups contribute to the economic development of any country. We can draw the conclusion that the Indian economy is significantly impacted by startups. However, suggestions are that in order to increase the value of India, the government should be forced to encourage and support more startups in the country. The government is encouraging people to start their own businesses and is taking measures that are genuinely reasonable and will pave the way for a prosperous future for India's start-up sector. And in the upcoming ten years, this might undoubtedly strengthen the Indian economy and GDP.

7 Significant Obstacles for Start-Ups During COVID-19

However, because they are more susceptible to the COVID-19 shock than current incumbents, the majority of the dominant start-ups face significant challenges. Compared to other small and medium-sized businesses (SMEs), they frequently participate in riskier sports, have restricted access to traditional financing, and maintain close ties with suppliers and clients. In an era of extreme economic unpredictability, where containment measures have reduced revenues and demand has sharply declined, start-ups are even more financially precarious and unable to meet their immediate needs for liquidity. Many nations already target the financial vulnerabilities of businesses, particularly small and medium-sized enterprises, with policies intended to protect economies from crises.

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TERMS

- 1- DPIIT- Department for the Promotion Of Industry And Internal Trade.
- 2- GDP -Gross Domestic Product.
- 3- GNI -Gross National Income.
- 4- GVA -Gross Value Added.
- 5- NNI -Net National Income