



INDIAN START-UPS: RISING TO THE NEW NORMAL

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Abstract

The COVID-19 pandemic and the extended period of lockdown caused massive disruption in Indian start-up ecosystem. Strict restrictions on the movement of people and goods increasing both demand and supply side risk, lack of willing investors to back up risky ideas and above all a global recession looming in, made the existence of Indian Start-ups too much difficult. However, Indian start-ups have risen to these challenges threatening the very existence of start-ups, and have been utilising the promising opportunities brought in by the New Normal. A number of sectors have succeeded in ensuring double digit growth figures amidst the pandemic crisis and are likely to continue their growth with the innovative product and service offering in future as well. The present article is a sincere effort to elaborately highlight on the success of these Indian start-ups who have fought back the challenges of the New Normal.

Keywords: New normal, start-up ecosystem, venture capital funds, biotech, edtech, e-commerce

Introduction

The growth of Indian start-ups during the last decade has been well appraised across the world. According to the KPMG Report published in February 2019, the number of start-ups grew 7.14 times from mere 7000 in 2008 to 50000 in 2018. Globally, India provides the third-largest ecosystem for successful start-ups, after China and the US. The total fund raised by Indian start-ups had been over \$11 billion in 2019, which was 55% higher than 2018 in terms of value and 30% higher in terms of deal volume. Another indicator of value-addition namely aggregate employee benefit expenditure shows that Indian start-ups spending in this context stood at \$1.25 billion, an increase of 33% from the previous fiscal. According to US-India Strategic and Partnership Forum, Indian start-ups were expected to attract investment of over \$21 billion creating 550,000 direct and 1,400,000 indirect jobs. Unfortunately, this phenomenon success story got an unwarranted and ugly turn due to the Covid-19 pandemic crisis.

COVID-19 and Indian Start-ups

Though COVID-19 emerged in December 2019 in Wuhan Province of China and then spread across the world, the real heat was felt by Indian start-ups only during the end of March when following the

WHO's declaration of the disease being a pandemic the Indian Govt. declared the initial phase of lockdown to restrict the spread of disease in India on 25th March 2020. Unfortunately, the lockdown was further continued in three additional phases until the first phase of unlock started on 8th June 2020, after a total of 68 days of lockdown since 25th March 2020. This extended period of lockdown caused havoc for the Indian start-ups. Restrictions on the movement of goods and people leading to increase in both supply and demand side risk, lack of investors to continue investing in the firm, a global recession looming in - all made the survival of Indian Start-ups too much difficult. According to a recent study by NASSCOM, out of about 9300 tech start-ups in India, most of them suffered severe impact, though the same was bigger for early to mid-stage start-ups. More than 90% of these start-ups faced significant decline in their revenue while around 30-40% temporarily shut down their operation. Another report by Datalab by Inc42 showed that layoffs, hiring freezes and pay-cuts for founders and senior managers have been announced by even the major Indian start-ups like OYO, Blackbuck, MakeMyTrip to other start-ups such as Limeroad, Fabhotels, Shuttl and many more. The report also pointed out that over 246 Indian start-ups have already undertaken



layoffs whereas 278 start-ups have announced hiring freezes. Another survey by Praxis Global Alliance during the advanced phase of lockdown revealed that the start-ups are to suffer severe cash crunch if the situation does not normalise soon.

The Challenges for Indian Start-ups in the New Normal

The post-covid business condition in India is no longer similar. The New Normal is characterised by manifold uncertainties as the pandemic and consequent prolong lockdown have multifaceted impact on businesses. Start-ups being firms yet to ensure accessibility of traditional financing, customer retention and long-term profitability are likely to feel this impact in a big way.

Given the fact that most of the Indian start-ups (such as firms in the electronics, electrical and pharma sector) are heavily dependent on raw materials imported from China, the firms will now have to substantially increase their budget on resource procurement. Maintaining social distancing norms at the workplace will simply add to their cost further.

Accessing finance will now become more difficult as the prevailing uncertainty will restrict the investors to back up the innovative ideas of the start-ups. Venture capitalists will now look for a business model which is not only innovative but also capable of tiding over any unprecedented crisis. Many existing negotiations may either be deferred or see untimely death.

Customer retention will be a new challenge and the pandemic would have substantially changed their perception and priority of life. Marketing strategies have to be given a new thought while distribution must adhere to the new norms of hygiene.

Adhering to the regulatory requirements which will now pop up every now and then, will further add to their distress.

Indian Start-ups Rising to the New Normal

In the business world, it is often said that crisis brings with it a host of opportunities. The same is true for the present pandemic as well. While COVID-19 has increased the uncertainty in the business environment manifold, it has created

meaningful opportunities for some innovative business propositions worldwide. Since innovation lies at the core of start-ups, these opportunities must be grabbed by them to survive and grow in the New Normal. Hopefully, Indian start-ups with the enabling technology have already responded to these opportunities. Some of the sectors that are offering promising future for Indian start-ups are as follows:

- **Biotech:** COVID-19 has brought immense opportunities for Indian biotech and medtech start-ups. During the initial phase of the lockdown India imported most of the personal protective equipment (PPE) and testing kits from countries like China and US. However, a large number of such equipment and kits were found to be faulty. It, therefore, become absolutely important for India to develop high-quality PPEs and testing kits indigenously to cater to the urgent medical needs of the patients. Indian biotech start-ups took this challenge head on in spite of a more challenging environment and started producing products of international standards. They also responded positively to the sudden increase in the demand of sanitizers and disinfectants. Soon many innovators created ozone devices for reuse of PPEs, no-touch sanitiser devices, tech-enabled healthcare units which can be set up very quickly and also in a scalable format. Most importantly, all the products were made available at a much competitive price relative to their foreign counterparts. The technologies also have the potential to be patented and hence are likely to be available for longer term even after the pandemic crisis is over and even can be exported. MyLab, Bione and Redcliffe Life Sciences have developed Covid-19 testing kits; artificial intelligence-driven start-ups have developed a DIY-testing kit for online reports. Significant number of firms including Biocon, Bharat Biotech, Serum Institute of India, are also working hard to develop a vaccine for the virus. Tech start-ups are also devising proximity sensing apps to trace covid patients nearby.
- **Healthcare and Telemedicine:** Though launched earlier, the telemedicine platform



is likely to get a big boost during the present crisis. As people are scared to go out and Government advisories also tell them to remain at home to avoid contamination, patients have no other option to have online consultation. While many large nursing homes have started the service for their out-patient department (OPDs), a few aggregators (such as Yourdoctors, Practo) are also providing similar services through apps newly developed. The services are further supported by sample collection and report delivery at home for pathological tests to be done after consultations.

There have been a number of start-ups providing fitness training through online mode as the gyms are all closed for an indefinite time period. For example, sense.bio offers a complete package for self and family in its premium subscription. Other popular Indian fitness apps include ReTiSense, Healthifyme, GetActive. These apps provide downloadable videos and instructions for fitness lovers. Even many well-known gyms (such as Gold Gym) have also launched their online portal to retain its customers.

Another segment which is having a booming business is the medicine e-commerce firms. After the initial period of uncertainties and ambiguities in government guidelines was over, online med-commerce firms such as Pharmeasy, Sasta-sunder, Apollo 24*7, Medlife got a hopping surge in demand in medicine orders during the lockdown period. With the virus not likely to settle down, these firms will certainly get orders pouring into their websites in future also.

- **Edtech:** Covid-19 has also brought tremendous opportunities for the Edtech (i.e. technology driven education) sector. While academicians continue debating on the merits of classroom-based teaching over online teaching, teaching and student community have quickly adopted the New Normal in education. Apart from the video conferencing apps from tech-giants like Microsoft (MS Team), Google (Meet) many Indian start-ups are also coming in with their LMSs (Learning Management Systems) which

offer wholistic support to online teaching-learning. Apart from them, start-ups like ByJu's, Eupheus Learning, LogicRoots, IMAX Program, Vedantu, mGuru and CampK12 are continuously providing various education solution ranging from integration of in-class and at-home learning, online coaching, taking mock tests for examinations, off-bit learning such as coding etc. The Edtech sector in India has untapped potential worth billions and covid-19 has given the right push to this sector to grow limitless.

- **Fintech:** In India Fintech is quite a popular and promising idea given the size of its financial system. As compared to other sectors involving start-ups, this sector is relatively matured too. Still the recent pandemic is offering immense opportunities for this sector to grow furthest. The situation can be best compared with the Demonetisation drive by GOI in November, 2016 which suddenly led a quantum jump in the digital transactions. A number of semi-closed prepaid payment instruments including paytm, freecharge, phonepe did extremely good business at that time. Similar growth can be possible now also. Start-ups may also thrive for providing payment solutions (e.g. Bill desk, Razorpay, Mswipe) as various institutions will now start accepting online payments. The present pandemic also offers opportunities for start-ups which can provide for insurance product aggregation (e.g. policybazar, Coverfox) i.e. to offer a comparison among existing products and guide the customer on the most suitable one. There is also a relatively new sub-segment of offering working capital financing to small firms (e.g. Capital Float, Lendingkart, Offbusiness) that can be very successful in this difficult situation.
- **Online streaming and gaming platforms:** Covid-19 has disrupted the entertainment industry to a great extent. To avoid high chance of transmission of the virus, movie theatres are closed worldwide for an indefinite future. This, on the other hand, has brought tremendous scope for the online streaming platforms to grow enormously. TV viewership and usage of



mobile have increased in multiples. JustWatch noted that Zee5 saw an increase of 259 percent in the period between March 24 and April 24. During the same period in India, Netflix saw a 204 percent increase, while Amazon Prime Video saw a 189 percent rise. Similarly, AltBalaji (174 percent), JioCinema (161 percent), and Disney+ Hotstar (149 percent) all saw major boost as well. While entertainment biggies as mentioned above were already present in the marketplace in India, many start-ups have grown to stream or produce and develop original contents. Online gaming platforms such as WinZo Games, Paytm First Games Gameberry Labs, Ludo Star, Parchisi Star also have experienced massive growth in usage of their platforms, to the extent of 300% in some cases.

- **E-commerce and M-commerce:** During the prolonged 68 days of lockdown e-commerce and m-commerce start-ups were the biggest rescuers for at least the urban population in India and they are likely to remain so given the pandemic crisis worsening day by day. Moreover, instead of well-established e-commerce giants, the start-ups seemed to win the race, at least during the first phase of lockdown. After the initial regulatory indecisiveness leading to a nationwide chaos as to which firms and which categories of products would be allowed, start-ups such as Bigbasket, Groffers were the leading firms providing the essentials to many homes and housing societies. Food delivery services such as Swiggy and Zomato soon joined the race by introducing a grocery delivery segment to their existing services. During April 2020, the daily delivery of groceries surpassed one lakh orders for Bigbasket.
- **Analytics and Digital Marketing:** Analytics is going to be the next big revolution for the industry. Given that the pandemic has significantly changed the buyers' requirement (such as online Yoga classes instead of attending classes on site), priorities (a term insurance plan or health plan over a foreign trip) and sense of safety (safe contactless delivery), use traditional promotion tools may not be able to

grab their attention anymore. Rather a complete personalised offering may be the need of the hour in the post covid world. This magnifies the demand of analytics which has the potential to identify the factors that can attract a specific customer based on his behaviour related data in the web. Accordingly, the promotions can be targeted to a chosen customer. Therefore, data analytics service is likely to grow enormously in the New Normal. Start-ups such as Zendrive, vPhrase, Thoucentric, Spoonshot, Pisquare, Pentation Analytics, Impact Analytics, Dataweave are likely to garner business heavily in future.

Factors behind the Success of Indian Start-ups

The following factors have contributed to this appreciable success of some Indian start-ups.

- a) **Innovation:** Indian start-ups have again proved that innovation is the key to success for any start-up in any environment. It is their innovative product or service offerings or innovative business models that help them to win over the situation. While start-ups from Biotech or Edtech sector relied on the innovation in product or service offerings, Gaming and streaming start-ups relied on innovative revenue models. Fintech start-ups also have come up with innovative and need based credit offerings for the MSMEs.
- b) **Enabling Technology:** Most of the successful start-ups during this period have relied upon the use of technology while innovating or delivering their products or services.
- c) **Flexibility:** Start-ups enjoy an important advantage of flexibility in decision making. While an established entity remains rigid to respond to the changes, the start-ups are the first to adopt them. The same has been true behind the success of Indian start-ups during this crisis of pandemic.
- d) **Govt. Support and Investors:** On many occasions, government support has been crucial behind the recent success of biotech start-ups. A number of successful innovations were under the government support. Also, there were a number of investors with foresight who did not



hesitate to back the innovative and risky ideas of the start-ups in this period.

Conclusion

The 'New Normal' is not so normal for a business, be it in India or any other part of the world. The challenges, however, are more for the start-ups than for an existing well-established enterprise. Limited access to traditional financing, a redefined marketplace which will be much more customer

centric and personalised, disrupted supply chain, increased intervention of government poses great challenge for a start-up. However, Indian start-ups in many sectors have not only overcome these challenges but also have managed to convert them in opportunity. Their success is truly a silver lining in this utterly gloomy business conditions across the world.



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