

IMPACT OF COVID 19 ON START - UPS WITH SPECIAL REFERENCE TO UTTAR PRADESH

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ABSTRACT

India is an amazing young country, billions of people making an effort for the development of their Nation. Startup is an innovation, and scalable technology, startups could generate impactful solutions and thereby act as a vehicle for socio- economic development, transformation and promoting the economic growth and development of the India. The COVID-19 pandemic has posed unprecedented challenges for the startup ecosystem of India. The Government of India, join the hands with the various stakeholders to offer the support to startups. During pandemic by using, the innovative solutions create with the help of entrepreneurs, conducting seminars, webinars to offer strategic mentorship to the startups, and helping the incubators to go online. The information technology and resources for startups, incubators, investors, and mentors to find their path in these uncertain times.

Keywords: Seed Capital, Policy Implementation Unit (PIU), MSMEs.

Introduction

Startup is a government initiative to bring all such types of skilled people at business platform. So, that the people seeking jobs can be converted into job giver. Migration for work can be stopped. The skilled people who are serving their services to any employer but ,due to lack of the any financial or non-financial problems they cannot set up their own business units. Startups are the companies or ventures, whose focused on a single product or service that the founders want to bring in the market. These companies don't have a fully developed business model and lack of adequate capital to move on the next phase of business. Most of these, companies are initially funded by their entrepreneurs.

Definition of a Startup (for the purpose of Government Schemes only). An entity shall be considered as a Startup:

- If it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India
- Up to ten years from the date of its incorporation/registration
- If its turnover for any of the financial years since incorporation/registration has not exceeded INR 100 Cr.
- If it is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

Startup is about creating prosperity in India. Many enterprising people who dream of starting their own business lack the resources to do so. As a result, their ideas, talent and capabilities remain untapped – and the country loses out on wealth creation, economic growth and employment. Startup will help boost entrepreneurship and economic development – by ensuring that people who have the

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potential to innovate and start their own business are encouraged – with proactive support and incentives at multiple levels Startup India is a Government of India flagship initiative to build Start-up and nurture innovation. Through this initiative, the Government plans to empower Start-up ventures to boost entrepreneurship, economic growth and employment across India. The Government's Action Plan will help accelerate the growth of Start-up throughout India, across all important sectors – in Tier 1, 2 and 3 cities, including semi-urban and rural areas – and includes promoting entrepreneurship among SCs/STs and women communities. The 19-point Action Plan, organized by the Department of Industrial Policy & Promotion (DIPP), focuses both on restricting hindrances and promoting faster growth by way of:

- Simplification and Handholding
- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

Many startups turn to others for more funding: family, friends and venture capitalists. Most of the startup begins their business in the form of Micro, Small and Medium Enterprises (MSMEs) which are seen as a driving force for the promotion of an economy and they contribute immensely to the economic development of any country. Truly speaking after the change of definition of MSMEs w.e.f 1st July 2020 startups are mainly concerned with micro enterprises only. Lack of knowledge of financial management combined with the uncertainty of the business environment often leads MSMEs to serious problems regarding financial performances. Micro, small and medium-sized enterprises (MSMEs) have gained increased attention in India in recent times, considering their strategic importance to the economy and the country. MSMEs play an important role in generating employment-48.8 million MSMEs in the country provide employment to 111.4 million people. MSMEs in the manufacturing sector alone produce more than 6,000 products and contribute 7.7% of the GDP of the country. Similarly, MSMEs in the services sector contribute 27.4% of the country's GDP.

The State of Uttar Pradesh (UP), one of the largest contributors in Information Technology (IT) sector, has been consistently focusing on developing infrastructure, human capital development and effective policy implementation so as to create a conducive ecosystem for entrepreneurs in the state. The state has launched the Uttar Pradesh Information Technology and Start up Policy (2017- 2022) (hereinafter called as 'the policy') with one of the core objectives to create an environment that fosters growth of investors, entrepreneurs and start-ups. The policy of the state was rolled out with a vision to develop IT as a vehicle for holistic socio-economic development; with a focus of creating employment, promoting entrepreneurship, innovation and enhanced quality of life in the state. The state has also developed an INFUSE model (Incubators, Fund of funds-, Start-up, Entrepreneurs) to nurture the entire start up ecosystem of the state.

The Vision of the Uttar Pradesh State Startup programs is:

- To develop IT as a vehicle for holistic socio-economic development of Uttar Pradesh with a focus on creating employment, promoting entrepreneurship, innovation and enhanced quality of life

The Mission of the Uttar Pradesh State Startup programs are:

- To develop Uttar Pradesh as a leading IT/ITeS investment destination
- To create a conducive environment for the growth of investors, entrepreneurs and start-ups
- To generate employment opportunities and nurture entrepreneurship among the youths in Uttar Pradesh
- To create equitable and balanced growth across the state by enabling effective use of technology

The objectives of The Uttar Pradesh state Startup programs are:

- To develop and promote attractive business ecosystem in UP by offering congenial, business friendly and progressive reforms, initiatives and unique value propositions
- To promote human development and infrastructure development by means of IT Cities, IT Parks, IT-BPM units
- To instill and nourish entrepreneurship and innovation by providing impetus to Start-ups, Incubators, Centers of Excellence
- To lead digital empowerment through creation of citizen centric services, whereby welfare is generated across all sections of the society

Uttar Pradesh is an agrarian state which contributes 18.9% in food grain production of the country. The state has also witnessed rapid industrialization in the recent past. Uttar Pradesh attracts a large number of both national and international visitors. Uttar Pradesh ranks 10th among Indian states in rankings based on ease of doing business and 5th in complying with labor regulations.

Uttar Pradesh is the historical heart land of India, where each part of the state is attached with ancient history, civilization, religions and culture. Uttar Pradesh is situated in the northern part of India, border with the capital of India New Delhi. Uttar Pradesh is the most popular tourist destination in India. Uttar Pradesh is important with its wealth of historical monuments. Geographically, Uttar Pradesh is very diverse, with Himalayan foothills in the extreme north and the Gangetic Plain in the center. It is also home of India's most visited site, the Tajmahal, and Hinduism's holiest city, Varanasi.

Project opportunities in Uttar Pradesh

- Agro Based Industry
- Live Stock
- Textile Industry
- Tourism
- Waste Management
- Wheat Flour Mill
- Rice Powder and Wheat Powder
- Rice Flakes
- Corn oil

Objectives of Study

- To Study about the start-ups programs in Uttar Pradesh.
- To ascertain the Impact of start-ups in India.

Methodology

The study is descriptive in Nature. In order to fulfil the above objectives, the study has been conducted and finalized in the line noted below:

- Reviewing of existing literatures, reports, regulations, laws etc.
- For quantitative analysis secondary data have been used.

Review of Literature

Biswas (2015): stated that access to external finance apart from banks is costly and limited, and poses a challenge to MSMEs, although it is essential for the maintenance of long-term opportunities and targets. These external loan products also require collateral and are highly priced. MSMEs use finance from NBFCs and informal sources at higher rates of interest, particularly in the early stages. The dominance of the informal sector in addressing the financial requirements of MSMEs is due to the inherent limitations of formal sources of finance.

The Asian Development Bank (2014): "It has pointed out that barriers to accessing finance by MSMEs in India from formal institutions include the requirement for collateral or a guarantee, inflexible policies, high rates of lending, complicated procedures, and entrepreneurs' lack of financial knowledge of applicable schemes.

Ambrose (2015): The identified barriers to effective financial assistance to MSMEs, which included absence of collateralized security, and the regulatory framework. In addition, the unavailability of skilled workers, the lack of infrastructure, and an inability to raise capital through the stock market (especially for MSMEs with a net worth of less than Rs100 million (about \$1.5 million) are other challenges (Lahiri 2012). Barriers have also been examined in the context of gender (Irwin and Scott 2018), firm size, the length of a lending relationship, and the use of overdraft credit (Bebczuk 2014).

Prasad (2014): highlighted that Indian banks in particular are not inclined to finance small enterprises, due to reasons such as the inability to provide collateral, high levels of nonperforming assets, high transaction costs, and the inability to verify the creditworthiness of applicants.

Grant Thornton and FICCI (2013): concluded that the cost of capital is high for MSMEs, and that there is a need to reduce the time and documentation required for procuring finance.

Start-ups Policies in Uttar Pradesh

- Uttar Pradesh Startup Policy 2020
- Uttar Pradesh Data Center Policy 2021
- Uttar Pradesh Electronics Manufacturing Policy 2020
- Uttar Pradesh Electronics Manufacturing Policy 2017
- Uttar Pradesh IT Industrial Investment and Employment Promotion Policy of Uttar Pradesh 2017
- Uttar Pradesh Micro, Small and Medium Enterprises Promotion Policy-2017
- Uttar Pradesh Electric Vehicle Manufacturing and Mobility Policy 2019
- Uttar Pradesh Defence, Aerospace Unit and Employment Promotion Policy.
- Uttar Pradesh Pharmaceutical Industry Policy, 2018 & Startup Policy 2017

Fund Schemes for Start-ups in Uttar Pradesh

Access to Finance by UP Government

- The Government of Uttar Pradesh shall establish an INR 1000 Crore UP Start-up Fund for providing access to finance to start-ups in Uttar Pradesh.
- The Fund shall be in the form of fund of funds. In this model, the Fund will not be invested directly into start-ups, rather, it shall participate in SEBI approved investors.
- Alternatively, the Fund shall not be invested directly into start-ups, rather it shall make investment in "Daughter Funds," which would invest in start-ups promoting innovative ideas across all sectors in Uttar Pradesh
- The Government of Uttar Pradesh would take minority participation in the Daughter Fund, by being a limited partner of up to 25%
- The Fund would be professionally managed and a Fund Manager shall be nominated/appointed to manage the UP Start-up Fund, granted by the State Government

Funding Sources Available for Start-ups Fighting Against COVID-19

- **Action CoVID-19 Team (ACT):** ACT has set-up an INR 100cr grant, created by India's start-up community to give wings to ideas that could combat CoVID-19 with immediate impact. We are seeking capital-efficient, scalable solutions from NGOs and innovative start-ups which need an initial seed grant to fight the spread of the pandemic.
- **United States:** India Science and Technology Endowment Fund (CoVID-19 Ignition Grants) – The United States–India Science & Technology Endowment Fund (USISTEF) seeks to support and foster joint applied R&D to generate public good through the commercialization of technology developed through sustained partnerships between U.S. and Indian researchers and entrepreneurs. The current global crisis underscores the importance and relevance of USISTEF activities.

Conclusion

Despite the prolonged lockdown in the wake of Covid-19, 773 startups began their operations in the Uttar Pradesh state during covid-19 period. The total number of start-ups which have come up in the Uttar Pradesh state in the past three years is now 3,406. The development took place despite the Covid-19 pandemic, adding that seven proposals for establishment of incubators had been approved for new Startup Policy. These include first incubator in Bundelkhand, in Rajkiya Engineering College in Banda, Atal Incubation Center in BHU Varanasi, Startup Warehouse in Noida, Jaipuria Incubator and Maharishi Center for Entrepreneur Development in Lucknow, Startup Launchpad in GLA University Mathura and in Krishna Engineering College, Ghaziabad. Other than these, 17 incubators have been set up in UP during covid-19 period. The development of a start-ups ecosystem in UP is a result of the IT and Startup Policy-2017 and the New Startup Policy-2020. The government is developing a world class start-up ecosystem in the state through strong infrastructure and favorable policy environment. Covid-19 is not only a challenge for existing startups but also for the creation of new startups in Uttar Pradesh. There are relevant opportunities for startups in times of covid-19.

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