IMPACT OF COVID-19 PANDEMIC ON KERALA'S STARTUP ECOSYSTEM

Jyotsna Thomas[1] and Rev. Tom Antony[2]

[1]*Independent Researcher, London, United Kingdom.*
E-mail: jotom1006@gmail.com (Corresponding author)
[2]*Assistant Professor, PG and Research Department of Commerce,*
St Berchmans College (Autonomous), Kerala, India. E-mail: tomantony@sbcollege.ac.in

Abstract: In the year 2020, the entire world is slumped by a COVID-19 pandemic, resulting in lockdowns, social distancing, economic slowdown and financial setbacks. All these have adversely affected the Indian economy and have made the lives of the common man in the country miserable. The COVID-19 crisis has seriously hampered almost all the businesses irrespective of their size and reputation. Despite this pessimistic situation, there are few Indian startups that are growing well and playing a critical role in the economy by helping the country to shift towards fully digital work environment, run educational courses, ensure the availability of FMCGs and even in terms of innovation in health services and medical field. A startup is an entrepreneurial venture that has been launched recently, where founders attempt to develop an innovative as well as technology driven product or service This article examines the impact of COVID-19 pandemic on startup sector in the state of Kerala and analyse strategies adopted by the Government of Kerala and Kerala Startup Mission (KSUM) during COVID-19 pandemic for the startup sector in the state. To analyse the problems faced by startup units in Kerala during the pandemic and to gather the opinion of startup founders on strategies adopted by the Government of Kerala and KSUM to overcome the crises, the primary data was collected from 60 startup founders from three districts in the state The paper also examines secondary data collected from the website of KSUM and various other E-resources. The study finds that the strategies adopted by the Government of Kerala and KSUM have helped the startups to stay afloat and grow during the pandemic.

Though COVID-19 has slowed down businesses in many sectors, it has also opened new opportunites, especially in areas like healthtech, wellness, and edutech.

Keywords: Startups, COVID-19, Pandemic, Lockdown, Economic Slowdown, Financial Setback, FMCGs

1. INTRODUCTION

In the year 2020, the entire world is slumped by a COVID-19 pandemic, resulting in lockdowns, social distancing, economic slowdown and financial setbacks. All these have adversely affected the Indian economy and have made the lives of the common man in the country miserable. The COVID-19 crisis has seriously hampered almost all the businesses irrespective of their size and reputation. Despite this pessimistic situation, there are few Indian startups that are growing well and playing a critical role in the economy by helping the country to shift towards fully digital work environment, run educational courses, ensure the availability of FMCGs and even in terms of innovation in health services and medical field.

2. WHAT IS A STARTUP VENTURE?

A startup is an entrepreneurial venture that has been launched recently, where founders attempt to develop an innovative as well as technology driven product or service. These are business enterprises designed to search for a repeatable and scalable business model. Steve Blank describes a startup as an "organization formed to search for a repeatable and scalable business model". [7]

2.1. Startup Ecosystem in India

The Government of India has recognized the role that can be played startups in the economic development of the country, and therefore they have initiated various revolutionary measures to boost this sector. The "Startup India" was the most ambitious mission introduced by the union government to spur the startup ecosystem. The scheme was announced by the Prime Minister Narendra Modi in his Independence Day address on 15 August 2015 and the blueprint of the mission was released on 16 January 2016, at an event in Delhi [4]. To create a conducive ecosystem for startups, along with union government various state governments also have made their state level policies to support the startups in their respective states and as a result India has become the third largest startup base in the world with the number of startups crossing 140000 by the end of 2023[10].

2.2.   Startup Ecosystem of Kerala

Kerala, an investor friendly state with high literacy rate makes it ideal for startup community and the state has taken many policy measures to this regard that included the launch of India's first startup policy to create an entrepreneur-friendly ecosystem. The state government has provided immense support for nurturing the startup ecosystem in the state and as a result there are more than 3000 active tech -startups functioning in Kerala by the end of 2021[9]. The Government of Kerala has announced the "Student Entrepreneurship Policy" to create a culture of entrepreneurship among students and as part of the policy, the government has decided to set aside one percent of state's budget every year to promote student entrepreneurship program. Further the state government has initiated 'Kerala Technology Startup Policy 2014, to empower youth entrepreneurship and it envisions making Kerala as the No. 1 destination in India for startups and amongst the top 5 startup ecosystems in the world [8]

2.3.   Kerala Startup Mission

Kerala Startup Mission (KSUM) formerly known as Technopark -Technology Business Incubator (T-TBI) supported by Department of Science and Technology and Government of India, started its operation during 2007, and has initiated several training sessions especially among students of technical institutions. In 2012, T-TBI was designated as the nodal agency for startups across the state and it was rebranded as Kerala Startup Mission in 2015[5].

REVIEW OF LITERATURE

According to Sreevas Sahasranamam, the pro-active attitude of the startup founders in Kerala to come up with innovative solutions to COVID-19 crises and the efforts made by the KSUM to channelize the contributions of startups with the government are indeed praiseworthy and have made remarkable results [6]. Apart from this, a group of individuals from industry, academic and government sector and associations like IEEE have also contributed a lot in coordinating the engineering students and young innovators under one umbrella for developing solutions for overcoming the crises.

Debolina Biswas observed that though the nation is facing an economic slowdown, fortunately the startup ecosystem in Kerala is showing the signs of recovery [2]. The writer also pointed out that the efforts of the Kerala Startup Mission (KSUM) are major fuelling agent for such a survival.

A survey was conducted by FICCI – IAN to analyse the impact of COVID-19 on Indian startups and 250 startup units are selected as respondents for the study [3]. The survey results revealed that 70% of startup respondents experienced negative impact on their business due to COVID-19 pandemic whereas 14% opined that COVID-19 had no impact on their businesses. However, 16% of startups responded that they had witnessed a growth in their activities during this period.

3.   OBJECTIVES OF THE STUDY

1.   To understand the strategies adopted by the Government of Kerala and KSUM during COVID-19 pandemic for the startup sector in the state.
2.   To examine the opinion of startup founders on strategies adopted by the Government of Kerala and KSUM to overcome the crises in the startup ecosystem during COVID-19 pandemic.
3.   To analyse the problems faced by startup units in Kerala during COVID-19 pandemic.
4.   To evaluate the contributions of startups from Kerala to fight against COVID-19 pandemic crises.

5.   METHODOLOGY

This study is descriptive and analytical in nature, and it uses both primary as well as secondary data. For the collection of primary data, 20 startup founders each from three districts in the state viz Thiruivananthapuram, Ernakulam, and Kozhikode are interviewed and thus making the total sample size as 60 startup founders. The paper is also based on secondary data collected from the website of Kerala Startup Mission (KSUM) and various other E-resources.

5.1. COVID-19 Pandemic and Startup Sector in Kerala

KSUM has always played a remarkable role in supporting and promoting startups in the state as well as channelize their products to different stakeholders. KSUM is acting as a bridge in connecting startups with government in fighting with COVID-19 pandemic. As part of this, KSUM conducted an online survey to understand the challenges faced by startups during COVID-19 crises and it also opens a direct channel for startups to reach out to the state government with their issues. The survey results revealed that 19 per cent of startups have increased revenue, around 50 percent had a hike in their clients and 16 per cent of them had increased the hiring and team size during this period [9].

5.2. Strategies Taken by KSUM During COVID-19 Pandemic for Startups

Kerala Startup Mission has adopted certain strategies to support startups in the time of COVID-19 pandemic.

5.2.1. Reducing operational cost: KSUM has waived the rent of office space utilized by the startups for four months and also introduced a scheme called 'work near home' which would enhance the emergence of more co-working spaces. Both these measures are expected to reduce the operating cost of startups to the extent of maintaining their office spaces.

5.2.2. Enhancing the resources: The state government has alloted INR 1500 crores to Kerala Financial Corporation (KFC) to give loans to startups in the state. As per the scheme, a startup can get loan up to a maximum of INR 50 lakhs and the interest rate will be @ of 7 percent.

5.2.3. Enabling new business: To help startups recover from the crisis, Startup Mission introduced a campaign named 'Business4startups' through which startups can link with large corporates, MSMEs, and even government and showcase their products. Apart from this many government departments have already purchased from startups under direct procurement scheme. KSUM behalf of the Government of Kerala, has launched an online platform called 'BreakCorona' to give stakeholders with innovative ideas and solutions for COVID-19 crises. The platform is open to startups, innovators, NGOs, students, communities and individuals to present their ideas and solutions with a proof of concept to fight against COVID-19 [9].

5.3. Opinion of Starup Founders on Strategies to Overcome the Crises in the Startup Ecosystem During COVID-19 Pandemic

The startup founders are asked to reveal their opinion on various strategies adopted by the Government of Kerala and KSUM to overcome the crises in the startup ecosystem during COVID-19 pandemic. The variables considered are (1) Waiving of rent, (2) 'Work near home' scheme, (3) Loan scheme of KFC, (4) 'Business startups' campaign, (5) 'BreakCorona' online platform and the startup founders are requested to rate the impact of these variables on a five-point scale viz Very High, High, Medium, Low and Very low. The mean scores calculated for rating is presented in the following table.

Mean value for each variable were calculated to check the intensity of the variables and One sample t test is used to see whether the mean value has deviated from the set response scale 3. Startup founders opinied all the measures as highly effective as the mean values of all the variables are above

Table 1: Opinion of starup founders on strategies to overcome the crises in the startup ecosystem during COVID-19 pandemic

Strategies/Measures	Mean	SD	T	Sig.
Waiving of rent	3.98	0.88	7.812	0.000
'Work near home' scheme	3.97	0.90	8.307	0.000
Loan scheme of KFC	4.17	0.78	11.516	0.000
'Business4startups' campaign	3.86	1.21	4.726	0.000
'BreakCorona' online platform	3.72	0.94	5.903	0.000

Source: Primary Data

3 with P value of one sample t test less than 0.05. The loan scheme of KFC (mean value 4.17) is the top-rated measure among all the strategies introduced by the Government of Kerala and KSUM to overcome the crises in the startup ecosystem during COVID-19 pandemic.

5.4. Problems Faced by the Startup Units in Kerala During COVID-19 Pandemic

Moreover, founders are asked about the problems faced by them from the issues popped up due to COVID-19 pandemic. It was studied with the help of five variables viz 1) Lack of business opportunities, 2) Slowdown in sales volume & revenue growth, 3) Inability to meet administrative and operating costs, 4) Lack of exposure for industry and investor connect and 5) 'Difficulty in scaling up the businesses on a five-point scale of Very High to Very low.

Table 2: Problems faced by the startup units in Kerala during COVID-19 pandemic

Problems	Mean	SD	T	Sig.
Lack of business opportunities	3.08	0.98	0.586	0.561
Slowdown in sales volume & revenue growth	3.25	0.82	2.374	0.021
Inability to meet administrative and operating costs	3.86	0.87	6.928	0.000
Lack of exposure for industry and investor connect	3.98	0.88	7.812	0.000
Difficulty in scaling up the business	4.02	0.90	8.679	0.000

Source: Primary Data

From the analysis, it is evident that the problems mentioned above have seriously affected the functioning of startup units as the mean values in all cases are above 3. 'Difficulty in scaling up the business' (mean value 4.02), 'Lack of exposure for industry and investor connect' (mean value 3.98) and 'Inability to meet administrative and operating costs' (mean value 3.86) are the topmost problems faced by the startup founders during COVID-19 pandemic.

However, the respondents assessed the impact on business opportunities (mean value 3.08) at an average level as the P value of one sample t test is greater than 0.05. Though the COVID-19 crises and lockdowns have resulted in slowdown in the businesses in the initial period, many of the respondents opined that the needs of the society during the pandemic period have opened new avenues for the startup businesses. Eventually, this has paved way for many startups to divert their business to new areas especially for those who are working in the field of healthcare, edutech, fintech and e-commerce platforms.

5.6. Some Notable Startups from Kerala That Have Come up with Intelligent Solutions During COVID-19 Pandemic…

A startup from Kerala, named Asimov Robotics has introduced cost effective robots to distribute masks, sanitisers and napkins at entrances of office buildings and other public places and also spread public awareness messages on precautionary measures to be taken to control the spread of the virus [1].

Another startup QKopy, has developed an app called GoK-Kerala Direct for the Kerala state government which sends official government notifications, COVID-19 case updates, alerts on COVID-19 as released by the Department of Information & Public Relations and other relevant information to mobile phones and the messages are delivered both in English and in Malayalam [1].

QuikDr Healthcare Private Limited has come up with an app through patients will be able to consult doctors virtually rather than going to the hospital. QuikDr Healthcare Private Limited is providing this telemedicine solution for free to the state government and this app is being used by the Directorate of Health Services, Government of Kerala [2].

One of the major tasks faced by the health department is tracing out the covid-19 patients, their primary and secondary contacts, and people under surveillance. Though ripples, a startup company from Kerala has developed an app which will collaborate all the vital information required by the health officials and State Disaster Management Authority in the desired format and data. Currently, this app is being used internally by the Kerala State Disaster Management Authority, Directorate of Health Services, and Kerala State IT Mission, Government of Kerala [6].

Another startup from Kerala, iBoson, has developed a software to manage the designated staff's access to the workplace. This will ensure ease of continuity of essential services in government services and is currently being used by Kerala State IT Mission [2].

Aqoza technologies, a chemical technology startup, has helped the government to maintain hygine in public spaces by developing a water-based sanitizer which can disinfect the area in 15 minutes in comparison to alcohol-based disinfectants, which take around four to five hours for disinfecting public spaces [6].

6.   CONCLUSION

Kerala has one of the most robust ecosystems for startups in the country and KSUM has been the key intermediary in channelling the efforts of startups to various stakeholders. KSUM has always supported the startups in state in the time of crisis with some measures to help the startup community. All these measures have helped the startups to stay afloat and grow during the pandemic. Though COVID-19 has slowed down businesses in many sectors, it has also opened new opportunites in the short run, especially in areas like healthtech, wellness, edutech, etc. Many startups have spotted these emerging opportunites and diverted their resources and technological expertise to develop solutions to capture this budding market. In this context, on one hand COVID-19 pandemic has severely impacted business activity of startups while on another hand it has been turned to a boon by the startups as the initiatives during the pandemic has brought the society closer to a technology embedded economy which eventually brings out immense business opportunities for the tech-startups inn future.

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