



# "How Investors looks for in Startups during COVID-19 & how India stands to gain Post – Covid "

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## **ABSTRACT :-**

History is dotted with pandemics that mankind has suffered but endured: "The oak fought the wind and was broken, the willow bent when it must and survived". During the coronavirus crisis, Startups have continued to play a critical role for economies. Some innovative young firms have reacted fast and flexibly to the pandemic and have been critical in helping many countries shift towards fully - digital work, education and health services and have provided innovations in medical goods and services. During covid, investors became very cautious while investing in any new company as it has been time when this pandemic affected the entire economy. All such companies which have thought to deal with all the problems during the crisis and presented solutions related to them in the country, such company attracted the attention of investors. The investor include those companies in his portfolio that included a large number of customers and customers who would be using those services for the first time. For example, fintech, healthtech, consumertech etc. Apart above, various initiatives of the government have been taken in which some policies were presented keeping in mind the fiscal and social measures and in which some policies of banks which include providing financial loans for Startups. In these, various companies will be able to help strengthen their Startups during COVID-19 or in the future. In this study, with the help of various secondary information, investors' approach towards investment in Startups during COVID-19 has been traced out. It

will also explain what investors kept in mind while investing in Startups, better present Startups image in the post- covid economy.

**KEYWORDS :-** COVID-19, INVESTOR BEHAVIOUR, STARTUPS.

## **INTRODUCTION :-**

Recently, India has become the third largest Startup ecosystem in the world after the US and China. The number of Startups in India was stated to be seventy thousands by the prime minister during the meeting of the Shanghai Cooperation Organization. The number of Unicorn in India has reached the 100 mark. A Unicorn means a Startup with a turnover of at least 7500 crores. The total valuation of these Unicorns is USD 330 billion, which is over Rs.25 lakh crore. The average annual growth rate of Indian Unicorn is higher than that of US, UK and many other countries. If India is able to across all these amazing figures today, it has a lot of investor support behind it. These investors have emerged as a force to be reckoned with for these Startups during the Covid Pandemic. When any Entrepreneurs presents his ideas in such a way that it can benefit all the sections of the society, but he is not able to collect that huge amount of money. In such a time the investor analyzes the ideas of that Entrepreneurs and invests in his Startup. During investment, the investor makes a comparative analysis of the various dimensions of the Startup. During the Covid Pandemic the offering of any Startup should be differentiated to some a unique customer problem or to meet specific needs, ideas or products that are patented show high growth potential for investors. Some important things an investor considers while investing in a Startup like Management & Team, Market Landscape, Scalability and Sustainability, Customer and Suppliers, Competitive Analysis, Sale and Marketing, Financial Assessment, Exit Avenues etc.

The COVID-19 crisis has brought a change in Startup - investment pattern. Venture Capital firms are shifting their focus from tech - centric Startups to the ones operating in sectors such as FMCG, Online Groceries delivery, Home entertainment etc. Apart from that Startup in EDTech, fintech and cyber security are witnessing an increasing user demand, which in turn is luring investors. If we talk about some such Startup in the time of Pandemic, which turned disaster into opportunity the name of that Startup is "ANTYESHTI" which means "Last Sacrifice" in Sanskrit. ANTYESHTI FUNERAL SERVICES, which provides end - to - end coronavirus funerals in four cities. They pick up the body from the hospital and take care of everything. If an investor thinks of investing in a Startup, then he definitely considers the immense potential of the future in the Startup. If India has to become a Five Trillion Economy, then investing in such Startups will have to grow them.

If we talk about the post – covid time of these Startups then if they are to be taken forward then Indian investors will also have to invest in these Startups because big investors of India's Startup sector are from abroad, like Japan's Softbank, China's Alibaba and Sequoia of America. In order to strengthen its Startups, India has organized the "PRARAMBH SHIKHAR SUMMIT" which aims to provide a platform for Startups and youth from across the world to come together for new ideas, innovation and inventions. Worldwide there is a huge amount of liquidity searching for yields. The recent events in China have turned the focus on India as the country has similar profile, reach with valuation of its role.

## **OBJECTIVES :-**

1. To study the investors' approach towards Startup during Covid-19.
2. To study the considerations of investors while investing in Startups in the post covid economy.

## **LITERATURE REVIEW :-**

**Gurubaxani, Arpita (2021)** in his work, "A study on the impact of COVID-19 on investor behaviour of individuals in a small town in the state of Madhya Pradesh, India" investigate how the COVID-19 Pandemic has affected the investment and financial decision of small town dwellers in a developing nation like India. Sample survey was conducted to determine the impact of COVID-19 individual financial transaction in Madhya Pradesh. The relationship between the COVID-19 Pandemic & change in investment decision of individual with respect to SIP was studied. Significant association was found between measures taken to prevent the spread of COVID-19 & individual income such preventive measure directly impacted saving & investment behaviour.

**Kiruba, S. Angelina (2021)** in his study "Determinants in Investment Behaviour During The COVID-19 Pandemic" investigate the psychological behaviour of investors in the stock market during the period of COVID-19. The study has analysed the psychological dimension of the behaviour when responding to behaviour, risk perception, risk prosperity, investor anxiety to market volatility, hearing and vaccination updates. The collected data has been used to determine the psychological factors which may have influenced investment decision. The statistical tools of cronbach Alpha, Factor Analysis, Descriptive Analysis and Multiple Regression techniques were applied using the SPSS 21 package. The results shows that the behavioural response to fear, risk, perception, hearing and vaccination updates have influenced investors decision making during the COVID-19 pandemic.

**Anand, Simran (2021)** in his research "A Study On Venture Capital Investment and Startup Ecosystem Which Has Transformed The Economy Over The Decades" shows how venture capital investment influence long term growth and influences in successful investors. The purpose of this comparative study is to generate an analytical understanding of the role of venture capital investment as a means of financing new startups around the world. The data collected in this paper has been taken from various online sources including articles and journals. It was found that if the venture capital captures the startup, it changes its image and they share their experience along with the fund to the startup performs well and changes the economy of the country.

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## **RESEARCH METHODOLOGY: -**

The research methodology design of the study is descriptive in nature. This study attempts to explain aspects related to investors' approach towards Startup during Covid-19 and the considerations of investors while investing in Startups. The information gathered for the purpose of the study is adopted from the published record of the books, business newspapers and websites and that information was further used to discuss the objectives considered in the study.

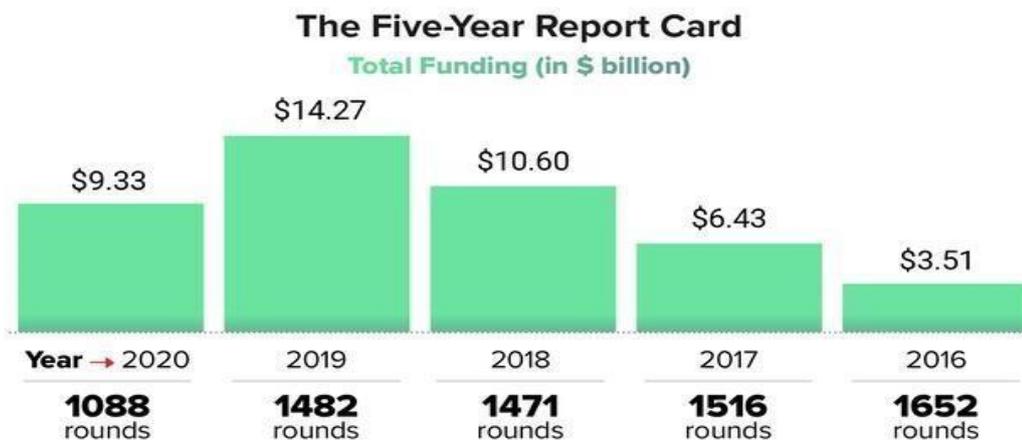
## **Discussion : -**

The study has led to the identification of key variables and influencing investor behaviour during Covid - 19 Pandemic. Some of the Startups who presented various innovative ideas in the time of Pandemic, the following are the examples of major Startups – Chefjunction, Gradezy, Custkart, Greenhive Essentials, Felicity, Pooja sansar, Deepshop etc. Investors selected those Startups in their portfolio at the time of Covid, which had high returns and great potential for growth at least cost. Investors have poured in about \$9.3 billion into Indian Startups so far in 2020 despite the Covid-19 Pandemic upending many sectors of the economy, data from industry tracker Tracxn showed.

In 2019, domestic Startups had raised a total of \$14.2 billion across 1482 round from January 1 to December 23. Although the number of funding rounds fell to its lowest in 5 years in 2020, the amount raised was higher than 2016 and 2017 - when investors chipped in \$3.51 billion and \$6.43 billion, respectively signalling continued investor interest this year from both global as well as domestic investors (shah, 2020).

## Tech Investments in India

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Source:- Rahul Awasthi (dec 28, 2020), Economic times

The Pandemic also forced investors to pump in funds into existing portfolio Startups to help them stay afloat. The variables included in this study were previously included by a researcher who analysed the following components of psychological behaviour in an investors' investment decisions. The factors that were included in the study are as follows-

Investors behaviour of fear, Anxiety behaviour to invest in Startups, Risk perception, Risk propensity, Vaccination updates, Hearing etc.

The steps taken by government to incentivise private investment in Startups post the COVID-19 pandemic is as follows :

Regulatory measures have been taken by Central government, Reserve Bank of India, Securities & Exchange Board of India, Insurance Regulatory and Development Authority and The sectoral Miniserries to boost business in India. For entrepreneurs, certain measures in terms of tax, regulatory and RBI led monetary relief have been introduced.

- DPIIT had launched the United Against COVID-19 Innovation challenge to identify innovative solutions to combat COVID-19. Applications were received for solutions to manage the COVID situation including logistics solutions, testing solutions, critical care equipment, large area sanitisation and various other critical aspects related to COVID-19.
- SIDBI has launched COVID-19 Startup Assistance Scheme (CSAS) for Startups which aims to aid innovative Startups that have demonstrated ability to adapt to economic impact from COVID-19 and ensured its employee safety and financial stability. SIDBI recognizes the operation and financial challenges being faced by Startups and has been making efforts to provide financial assistance and stability to such Startups through schemes like CSAS. Through this scheme Startups can receive a loan of up to Rs. 2 crore.
- SIDBI has also announced a concessional interest rate of 5 percent for MSME loans under the SIDBI Assistance to facilitate Emergency Response against COVID-19 (SAFE Scheme). These loans would be provided within 48 hours, with no collateral and minimum paperwork for MSMEs that are

manufacturing products or delivering services related to the COVID-19 fight are eligible for these loans.

- Availability of additional financial window for healthcare sector under scheme called SIDBI Make in India Soft Loan fund for Micro Small and Medium Enterprises (SMILE) for financing the healthcare sector including hospitals, nursing home, clinics etc. for their requirements related to fighting Corona virus has also been launched.

Further, 39 such regulatory changes, to enhance ease of doing business, ease raising capital and reduce compliance burden have been undertaken.

At the time COVID-19, the investor used to keep the following things in mind while investing-

- So the first is loss of capital because Startups investing is risky. So when VCs, or angel investors invest in Startups, they go and invest in 100 companies and probably five succeed but those five companies gives so much return that it affects the lose by the other 95 companies. But you, as a retail investors, might only make one or two investments. So you need to be a little but more picky in terms of the type of Startups that you need to invest and this is definitely a risky game and there can be complete loss of capital.
- Second risk is liquidation risk, for example, if you go and invest Rs. 5000 in any Startup now, you obvious questions would be that actually how can I invest? Like just Rs.5000 in a startup? So liquidation simply means that you put in your Rs.5000 but you are not able to sell off your stocks that you have purchased in that company because there is no free market per se where you can go and sell off your stocks in these unlisted companies. So the liquidation risk is again very high, that the liquidity in terms of passing on your stocks to someone else is not that easy.
- The third risk is the dividend risk that when you invest in these private companies, they might or might not give you dividends. So your money might get stuck for a very long period of time.
- So performance assessment simply means that, for example if you put in your money in HUL or TATA MOTORS or branch of other listed companies, they come out with a lot of commentary. The news media covers a lot, So you get relevant information on which you can act. For example, if the growth of the company is not that great you can decide to sell off your stocks in these listed companies. But with unlisted companies it is not that easy to get access to quality information. So transparency is not that high.

## **Conclusion :-**

The COVID-19 occurrence has considerably compact the economy. Given the massive population and problematic circumstances of the economy, particularly the monetary sector and imprisonment and social distancing have established to be unsettling because of measures taken by the government to regulate the unfold of COVID-19 like imprisonment and therefore the securities market crash, individual investor's disposition to take a position in mutual funds and therefore the securities market has been compact negatively. In gift times, investors appear to own become a lot of risk disinclined, and like comparatively secure investment choices providing moderate come with low risk. Investors additionally have to be compelled to be educated concerning GOLD ETFs, time to enter and exit the securities market, and investment firm schemes. It additionally throws some lightweight on the actual fact that investment firm associations and policymakers ought to conduct campaigns in smaller cities to boost monetary acquisition of individuals.

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