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AN IMPERATIVE STUDY ON THE ROOT CAUSES OF STARTUP LAYOFFS IN INDIA

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Abstract: The Startup India initiative was announced by the Shri Narendra Modi Hon'ble Prime Minister of India on 15th August, 2015. The flagship initiative aims to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. Further to this, an action plan for Startup India has focused on areas such as "Simplification and handholding, Funding support and incentives" and "Industry-academia partnership and incubation".

Indian start-ups have made their mark on the global stage. The ecosystem's rapid growth and maturity have unleashed a tremendous appetite for scalability, alternative funding options, global market expansion, and the ability to enable millions of jobs. This meteoric rise of start-ups has made India the world's third largest start-up ecosystem, and it has had a significant impact on the Indian economy, demonstrating the ability to contribute approximately 4-5 percent of India's GDP. The start-ups, like any other business, have been hit by the macroeconomic factors such as the Covid-19 pandemic, Russia-Ukraine conflict, the inflation in crude oil prices, and the changing public market valuation are some of the global factors that are slowing down the growth of the start-ups. This study aims to understand the growth of startups across the country, and the causes of startup layoffs.

Keywords: Startups, startup ecosystem, layoffs, fundings, macro economic factors

I. INTRODUCTION

The Government of India has launched 'Startup India' on 16th January, 2016 which is intended to catalyze startup culture and build a strong, inclusive ecosystem for innovation and entrepreneurship in India.

India is the third-largest startup ecosystem in the world with an estimated 26,000 startups, 26 "unicorns" (startups valued at over US\$1 billion), and US\$36 billion in consolidated investments over 2017–2019. The ecosystem has expanded rapidly, mainly through private investments including seed, angel, venture capital, and private equity, along with technical support from incubators/accelerators, and public policy. According to the Economic Survey Report 2022-23, the startups in the country are 84,012.

The startup industry has suffered greatly from a worldwide closure when the Covid-19 outbreak hit in early 2020. Most businesses hurried to cut spending and stop hiring to withstand the extraordinary crisis. However, the shake-up did not pan out as badly as anticipated until the following year or so.

The situation changed, however, when the Russian invasion of Ukraine began in February 2022. The impact of geopolitical unpredictability on the world economy, in addition to failing markets, rampant inflation, and the worry of a protracted global recession, has curbed the newfound euphoria in the startup world in India and overseas.

