

Indian startups seek financial assistance amidst COVID-19 lockdown

As the number of COVID-19 infected cases rises over [2,500](#) the business community stands fear-struck. Insurmountable levels of grievances are being listed by the companies. The illiquid Indian market has now been further pushed back into a cash crunch situation. Indian startups are worst hit due to this crisis. Investors seem wary to invest in Indian startups during this period of lockdown. An article by [Techcrunch](#) showed that Indian startups are failing to accumulate funds. The first two months found Indian startups gather around 4 billion dollars, which has fallen to 496 million dollars in March.

In the third week of last month, [The Economic Times](#) reported that Indian startups and SMEs have started considering budget cuts in their spending. A rapid fall in demand of their goods and services has pushed the companies to rethink their investment plans.

The month of April is unpredictable for the Indian startups. With no cash in hand, the companies have reached out to the government for financial support. A group of major Indian startups has written an official letter to the Prime Minister and the Finance Ministry, urging them to provide fiscal support. The letter was dated March 30, as observed by [Business Today](#). Founders like Sriharsha Majety (Swiggy) Alope Bajpai(ixigo) and Amod Malviya(Udaan) joined leading organisations such as CII Startup Council, iSPIRIT etc in co-signing the letter. Aarin Capital, Accel, Blume and several other venture capitalists also authorized the letter to protect their vested interests.

What are the Indian startups demanding?

The same report mentioned the details of the letter. It contained a heartfelt confession to the Prime Minister wherein it briefly described how the COVID-19 pandemic lingers as a gigantic threat to the startup ecosystem. The vulnerability of the Indian startups to this deadly virus was exposed in a sensitive manner. Moreover, a list of demands appeared which required immediate attention of the state.

The Indian startup ecosystem shall lose momentum and eventually all the progress made over the last decade shall face destruction, if the government does not offer help. These companies seek 50 percent of salary and wage bills from the month of April to September so as to ensure zero job loss. Instant payment of all the pending dues by the central and state governments can mean a lot in this moment. Indian startups also suggested the state to design unique credit models for the prevailing situation. The banks may offer working capital loans at lower interest rates. Companies also urged the government to offer interest-free loans secured by the GST and Income Tax refunds.

Furthermore, the letter asked the Finance ministry to extend the turnover limit to Rs. 500 crore for startups to qualify for these COVID-19 support benefits. Indian startups have yearned for expedited refunds for income tax and GST returns by April 30. In addition to this, TDS deduction for the services should be reduced to flat 1 percent as an urgent request.

In these testing times, world economies are planning to rescue their businesses out of the crisis. Keeping this in mind, the government and the Finance ministry are expected to respond right away.

RBI director steps forward in favor of SMEs and startups

“In India, a business is run with support from bank credit unlike in developed economies where it is propelled by capital.”

- Satish Marathe ([The Economic Times](#), 2 April 2020)

The RBI central board director, Satish Marathe appeared to the media and expressed his opinions to clarify the need of the hour. He advised the Reserve Bank of India and the central government to create comprehensive relief packages to sustain the SMEs in the economy. He predicts that the COVID-19 crisis shall end in the coming three to six months. But the SMEs industry will succumb to this crisis if they are not looked after properly.

However, the RBI has sanctioned a three month (March 1 to May 31) moratorium recently. The payment of term loans and working capital loans have been suspended. Marathe founded Sahakar Bharati, an NGO striving for cooperation in the economy, has also released a statement suggesting that such announcements shall only make a little impact on the lives of lenders and borrowers.

In conclusion, we need to stand strong as a population and understand the downturn of our economy. Our government is under severe pressure but we'll have to remind the state time and again regarding the financial damage. For the Indian startups are the precious children of the Indian economy and they too need protection from the COVID-19.