

**ISSUES AND CHALLENGES IN SERVICE SECTOR: STUDY OF START-UP  
DURING COVID-19**
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**Abstract:**

*Start-ups play a key role in economies, but the COVID-19 crisis is reducing their creation, challenging their survival, and limiting their growth. Business registrations have been dropping significantly in recent months and a missing generation of new firms has significant implications for economic outcomes, notably employment. This point argues that these can be mitigated by taking steps to support existing start-ups and the creation of new firms. Policymakers should tackle short-term challenges, supporting short-term liquidity and availability of funding, but also and importantly foster the ability of start-ups to grasp new business opportunities. Policies that reduce barriers to entrepreneurship provide incentives for start-ups, and boost entrepreneurial potential could help speed up the recovery and preserve aggregate employment in the long term.*



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**Introduction:**

During the COVID-19 crisis, start-ups 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.

The effective operation of service sector requires skilled manpower. Therefore, in recent year demand for management and IT professional is on the rise because of the rise in service sector in the economy. In the developed countries, service sector provides employment to more than 75% of the total employment in their economies. The developing countries are required to generate skilled manpower for the proliferation of service sector in their economies. To produce required amount of skilled manpower for the effective proliferation of the service sector is a challenge before the developing economies.

Tax administration, governance and corruption are challenges to services sector. A simple taxation system with minimum hassle will entice the entrepreneurs to venture into service sector activities. Good governance is necessary pre-requisite and bad governance a challenge for service sector.

Another woe of service sector in developing countries is low wage rate for people employed in the service sector.

The low wage rate particularly in the service sector operating in urban areas is affecting the quality of life of people engaged in service sector.

The functioning of local self-government institutions and effective implementation of urban development programmes are also a big challenge for effective administration of urban development projects and programmes. One of the important challenges before the service sector is the measurement of the performance of service sector. Unlike the two



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other sectors like agriculture and industry, it is very difficult to measure service sector output. Therefore, the performance of service sector in the economic development progress is scantily known to the lay man.

## Objectives of the study:

1. To study the issues and challenges in the growth of start up
2. To find out the causes of issues arise during covid-19
3. To provide suggestion to reduced challenges and issues

## Need of the study:

1. In today's world there is a need of faster growth in the service sector for that lots many opportunities are required.
2. Government is introducing the various policies for betterment of start-up's but due to covid 19 that flow was not increasing but that creates some issues and challenges in front of the service sector.

## Research Methodology:

In this research for data collection secondary data collection is used by referring e-books, Journals, research papers etc.

## Challenges during COVID-19:

1. Most existing start-ups face significant challenges due to the COVID-19 crisis, as they are more vulnerable than older incumbents to the shock brought by the pandemic. They tend to engage in high-risk activities compared with other small and medium-sized firms (SMEs), face constraints in accessing traditional funding, and have a formative relationship at best with suppliers and customers. They also often crucially rely on a small founding team, and this can further increase their vulnerability to labour supply shocks during the pandemics.
2. At a time marked by significant economic uncertainty and with their revenues affected by containment measures and significant drop in demand, start-ups become even more financially fragile and need support for their short-term liquidity needs, critical for their survival.
3. In many countries, policy responses aimed at shielding the economy from the crisis are already targeting firms' financial fragilities, especially for SMEs. These include measures to sustain short-term liquidity needs, such as loan guarantees, direct lending, grants or subsidies. However, policy responses should take into account the specificities of start-ups with respect to other SMEs. Some countries have introduced measures more specifically focused on start-ups.

## COVID-19 is not only a challenge for existing start-ups but also for the creation of new ones

1. Focusing on the first margin, our simulation suggests that a 20% decline in the number of entering firms induces a persistent employment loss of about 0.7% of aggregate employment three years after the shock, and still of 0.5% 14 years after.
2. This confirms the large aggregate effects of a missing generation of new firms, which may be further reinforced by changes in their characteristics, their survival, and post-entry growth.
3. The lower number of new firms may also amplify pre-existing long-term declining trends in business dynamism observed in many countries.
4. Although the COVID-19 outbreak is, and will continue to be, a significant challenge for the start-up ecosystem, the current crisis may also create short-run and longer-run opportunities.



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## There are relevant opportunities for start-ups in times of crisis.

- First, there are opportunities for start-ups that introduce radical innovations that can be useful in the short run. Today, that could mean innovations in tele-medicine, remote personal care, medical equipment, home delivery, food processing, teleworking, online education, contact tracing. Support for start-ups to respond to such short-term needs has been provided through targeted policy interventions, including a call from the European Commission for start-ups with technologies related to treating, testing, monitoring or other aspects of the COVID-19 outbreak to apply fast-track funding under the EIC Accelerator programme. These, however, tend to ultimately address specific activities for which there is immediate demand or need.
- Second, and importantly, the COVID-19 outbreak may induce persistent changes in societies, consumer habits or needs that could uncover valuable business opportunities for start-ups that are able to anticipate these changes.
- Policy makers should therefore consider interventions oriented at raising awareness of these opportunities, especially in industries that appear more resilient to COVID-19, such as digital intensive sectors, which are also generally characterised by higher post-entry employment growth and contribute disproportionately to job creation.

## Suggestions and Recommendations:

### 1. Tackle short-term challenges

- Support short-term financial needs of existing start-ups e.g. with loan guarantees, direct lending, grants or subsidies, keeping in mind start-ups' specificities in designing these policies with minimal bureaucracy, and help secure jobs and incomes of their workers
- Raise awareness about existing measures and support initiatives that provide guidance to help start-ups adapt to the COVID crisis e.g. through official platforms that centralise information on support programs, provide advice on cash-flow management, best practices to connect with investors remotely, etc.
- Support R&D and prizes for radical innovations to help tackle the health crisis, and support start-ups adapting their products.
- Promote investments in skills and online training especially during the crisis, to prevent skills depreciation and encourage upskilling of start-up workers.

### 2. Reduce barriers to entrepreneurship and provide the right incentives

- Reduce administrative burdens for start-ups by implementing simplified procedures, and accelerating transitions to e-government. Minimise regulatory uncertainty, both during the crisis (e.g. red tape) but also after (e.g. health and safety requirements in the early recovery phase), as start-ups suffer most from these uncertainties.
- Reduce possible barriers associated with the entrepreneur status, especially those that may be seen as particularly critical during and after the pandemics (e.g. related to access to health care and paid sick leave), making social protection more portable. In other words, link entitlements to individuals rather than jobs.
- Ensure that funding remains available for innovative start-ups at all stages of their development, in co-ordination with private actors. For example, provide additional public funds to public venture capital umbrella-fund-investors, which can be used in co-investment with private investors for financing rounds of start-ups; take over shares from defaulting fund investors with additional public funds; or simplify venture capital financing).

### 3. Boost entrepreneurial potential

- Promote entrepreneurship training, also in combination with benefits for displaced workers and lifelong learning, to facilitate employment-to-entrepreneurship transitions, with particular attention to disadvantaged groups.
- Promote university-business collaborations to facilitate industry applications of innovation and university-to-entrepreneurship transitions.
- Promote network developments, including those linking job seekers and start-ups and those facilitating access to international markets.
- Maintain investments in the start-up ecosystem, notably to ensure incubators and accelerators continue playing an important medium-term role in providing guidance, coaching, and mentoring to potential entrepreneurs and existing start-ups

#### Conclusion:

Tackling short-term challenges, reducing barriers to entrepreneurship, and boosting entrepreneurial potential could help speed up the recovery and preserve aggregate employment in the long term. This may occur through different margins: i) keeping start-ups alive in the short-run; ii) limiting the detrimental effects of a missing generation of new firms; iii) boosting the growth potential of young firms. That give the opportunities to grow business in a faster way.

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