

1/22 The economic slowdown in US and Europe is expected to hit
1Eco growth of start ups in India. Comment.

The year 2022 is the third year to experience major technology downturn, previous being 1991 and great recession. The recession can have good and negative impacts on the growth of our startups.

Recession and startups

The recession clouds are summarizing - due to less of revenue among households, changes in consumption patterns. The raising interest rate domestically as RBI raised the repo rate to 5.4%.

The US Fed too increased the rate by 50 bps and bound to increase further can curtail the funds available for startups. The slowdown is expected to continue for next 12-24 months yet it is perfect time for venture capitalists to double their returns.

What startups can do

① Product strategies - startups need to have MVP - minimum viable product to reduce the chances of success and prevent product failure.

② Cost conservation techniques must be handled. Importing lean manufacturing process can very well reduce cost.

③ Employee retention is key to deliver when the recession ends.

Indian measures

① 10,000 crore fund of fund for startups was set up for growing domestic venture capital.

② 1000 crore startup India seed fund to support new startups.

③ 32 regulations simplified and 220+ income tax exemptions.

Signing of multilateral agreements and robust equity markets can support startup raise funds even during economic downturn.