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# A Study on Indian Start-ups Decision on Pink Slips

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**ABSTRACT:** With a motivating entrepreneurship ecosystem, many Startups have been established in India to exploit the opportunity that is presented in the Country. The majority of Startups have rolled out their operations in light of untapped areas and carved their niche. Even though many of these start-ups are on a technology-based platform, they have included the traditional part of the business model and integrated it to run the business. The way start-ups evolved and numbered in India was so big that, last year, India ranked as the 2<sup>nd</sup> largest Start-up Ecosystem. Despite all these commendable numbers that motivated many to think about starting a venture, from the beginning of this financial year (2022-24) till today, we are hearing news about layoffs in Startups irrespective of the Sector, age, and Valuation. For sustainable Business, the operational methods and business model are important alongside the perception of promoters and the operational team. In this context, secondary research is done to assess the causes and reasons behind the layoffs. This paper aims to highlight the companies currently giving employees pink slips. The focus of this paper is to assess the various lacunas and hurdles that might have pushed them to lay off. Also, based on the running model of a few successful start-ups, a few findings were presented on how one should operate meticulously to avoid terminating their employees and work as a lean team to optimize their efficiencies.

**KEYWORDS:** Start-ups, Sustainability, layoffs

## I. INTRODUCTION

**1.1. Background:** Despite some misses, the overall sentiment of the start-up ecosystem was positive for the Union Budget 2022. Many called it the “Budget for Digital India”. A new Development of Enterprise and Service Hubs (DESH), which speaks on the stack for skilling, reskilling, and upskilling needs, along with a proposal for 750 science and mathematics virtual labs and 75 skilling labs for simulated learning environments for updating the National Skill Qualification Framework (NSQF). Also, Agritech Startups got a big push in the Union Budget with Public-private partnerships and NABARD-led funds for rural enterprises. Skies cleared for Drone Startups for agricultural service. The Drone Shakti scheme was announced to encourage varied applications for Unmanned Aerial Vehicles (UAVs). With regulations on Electric Vehicle Battery swapping, the push for battery/energy-as-a-service geared up economic activities further. The defense Sector opened for Startups in the area of Research and Development (R&D) with DRDO-led private-public partnerships for design and development. Anticipated for the future was the UPI moment for Transport Tech under Prime Minister Gati Shakti. With this background, expectations from start-ups were positive in terms of the creation of employment opportunities, especially the post-Covid and after the Russia-Ukraine war effects.

**1.2: Startup and layoffs:** The expectations from start-ups were gloomy. Starting in April, many Startups, including the ones that had already raised funds from Venture capitalists and the ones that were in the growth stage, started laying off employees. The number was initially in numbers. But in June and July, the numbers were so big that irrespective of the sector and stage of start-ups everywhere started laying off in big numbers, which became a serious issue. Initially, the layoffs were on a monthly or quarterly basis, but by the start-up rose to a weekly issuance of pay slips. This has signaled a serious issue in the start-up ecosystem. When the start-ups were asked about the decision of issuing pink slips, the majority of them quoted the common reason as cost-cutting, and a few of them quoted restructuring exercises. Those who had been laid off in the first phase and terminated some more in the second phase presented the reason as winter fall in funds. Many of these startups seem to have interpreted that as a license to fire people as a “cost-cutting exercise”, disrupting thousands of livelihoods in the process. As the startup ecosystem braces for a funding winter and subsequent slowdown, almost all of the industry has witnessed layoffs. The startup had been aggressively hiring until April, looking to raise fresh funding. However, failing to do so has not only laid off existing employees but also rescinded offer letters from employees who were supposed to join soon.

**II. REVIEW OF LITERATURE**

Alongside the pandemic-induced slowdown, the Russia-Ukraine war and the increase in the U.S. Federal Reserve have contributed heavily to economic upheaval in Indian startups. As per Public information, more than 13% of job cuts in Startups across the world are in Indian startups. The majority of this is due to Tandon and Riya (2022). Fintech startups are increasingly competitive to attract talent when hiring talent to compete with other countries and from other sectors like Healthtech and Edtech. Smaller Fintech is still hiring despite the economic downturn (Venkataraman, Siddarth, Aug 2022). They kept the right fitment and laid off those who did not fit as per their revised strategic plan (Sumith Maniyar, Rupeek). At the same time, “intent to hire” by the corporates, including start-ups, has witnessed a rise (as per Team Lease). To mitigate this risk, advice to a job seeker is to catch a breath and speak with networks, and upskill continuously. As the post-pandemic is majorly driven by the power of automation, business houses, especially tech start-ups, are looking for digitally conversant, adaptive, and multi-skilled people. (Shantanu Raj, CEO, Team Lease).

**III. RESEARCH DESIGN**

**Statement of the problem:** Today is a very exciting time for every industry and startup. With the digital revolution, the emergence of e-commerce, home delivery, and digital marketing, many start-ups have made a sudden influx. Added to it is the facilitation under various schemes of the Indian government and other private financial institutions, whose inclination was bright for start-ups. Due to the impact, the scenarios were slowed down. This has led many start-ups to downsize their workforce. But still, start-ups were having hope to get unstinted support from the various facilitators. After the second wave, which began in March 2022, layoffs across all sectors became more rigorous. The start-ups showed their hands in the winter fall of funding. In this context, an attempt is made to study the actual reasons behind the laying off of employees, which the start-ups look at as the immediate solution to cut down the cost.

**Research Objectives:**

1. To study the reasons quoted for laying off employees by Indian Start-ups
2. To analyze the factors that triggered start-ups to lay off

**Research Questions:**

1. Is laying off employees the only immediate solution for cutting costs?
2. What went wrong with start-ups that are laying off employees?

**Limitations:**

1. The study is based on secondary data on Indian Start-ups' layoff information
2. The data is based on data shared by startups with professional bodies
3. The statistics presented here are from March 2022 to November 2024.

**IV. RESULTS AND DISCUSSION****Table No. 1: Table showing company-wise layoffs with reasons quoted by them**

Sl No.	Company Name	No. of employees laid off	Reasons
1	Ola	2350	Restructuring, Shutdown of non-core businesses.
2	Blankets	1600	Cost cutting
3	Unacademy	2300+	Cost-cutting, to accommodate the recession, and Aggressive restructuring
4	WhiteHat Jr.*	3300	Employees are asked to resign, Operations Failure
5	Vedantu	1100+	Financial Constraints, Multiple rounds of restructuring
6	Cars24	800+	Continued workforce optimization, Automation



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7	MFine	600	Financial Constraints, Drastic downsizing
8	Bikayi	356	50% of the company's total workforce
9	Toppr	350	Restructuring
10	Trell	300	Financial Constraints, In 2024 company effectively collapsed
11	FarEye	250	Rightsizing the workforce
12	Rupeek	250	Restructuring, Continued Optimization
13	CityMall	400-500	Cost-cutting,
14	Furlenco	280-300	Cost-cutting, Automation
16	Udaan	630-650	Increase Profitability, Efficiency enhancement drive
17	Crejo.Fun	170	(2023-24) Company Shutdown
18	Lido	100-1200	Company Shutdown
19	Meesho	400	Restructuring, Cost-Cutting
20	Yaari	150	(2022) Parent Company Shutdown
21	Fraazo	300-400	Complete suspension and eventual shutdown
22	FrontRow	275-300	(2023) Downsizing and Shutdown
23	Yojak	140	(2023) Shutdown
24	MPL	600	Restructuring, Government Tax Policies
25	Uday	100	(2022) Company Shutdown
26	Lead	140-150	Strategic restructuring, Workforce Optimisation
27	Aqgromalin	80	Company Shutdown
28	Breathe Well-being	50	Cost cutting
29	Hubilo	210	Market Correction, Major Restructuring
30	OK Credit	40	Business model change
31	Eruditus	220-240	Restructuring, Profitability
32	PharmEasy	1000-1140	Financial Crisis, Restructuring
33	Oye Rickshaw	40	Cost cutting
34	Value	29	Cost-cutting (2023) Downsizing
35	Intact Metaversity	20	Shutdown
36	Yellow Class	19	Winding Down
37	Nova Benefits	120	Restructuring
38	Innovaccer	365	Cost-cutting, Streamlining Operations
39	Clear	190	Decline in funding
40	Byju's	10000+	Shutting down operations in a few locations, a financial and governance crisis
41	GoNuts	180*	Shutting down operations as the target audience was not growing
42	Qin1	300	Shut Down
43	Healthify	150	Focus on AI and Sustainability
44	OYO	600	A multi-year push to achieve profitability
45	Jeet11	100	Government Policy Impact and Scaling Down

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46	Teachmint	115	Product consolidation
47	DailyHunt and JOSH	300	Strategic Priorities, Streamlining operations
48	Brainly	105	Focus on growing the Community
49	Chargebee	240+	Adverse macroeconomic conditions

(Source: Inc42.com)

\*Indicates approximate numbers and not exact numbers

The above table presents the layoffs done by start-ups and the reasons mentioned by them to professional bodies on various platforms. It is recorded that the majority of them mentioned the reason for the layoff as cost-cutting and business restructuring exercises. It can be inferred that layoff is considered by many start-ups as an immediate solution. Also, it is recorded that layoffs happened across all the functional areas of start-ups.

**Table No.2: Table showing sector-wise layoffs**

Sl No.	Sector	The number of companies that were laid off happened
1	Edtech	16
2	E-Commerce	08
3	Fintech	05
4	Health Tech	04
5	Consumer Services	03
6	Transportation Tech	01
7	Logistic	01
8	Media & Entertainment	05
9	AgriTech	01
10	Enterprise Tech	02
11	Clean Tech	01
12	RetailTech	02

(Source:Inc42.com, Startup Winter, The Indian Express)

The above table presents the sector-wise layoffs by Indian start-ups. It means that irrespective of the sector. Almost all start-ups across the sectors have done layoffs as a tool to cut costs. But the Edtech sector had reduced the workforce size in large numbers. This is due to resuming back to physical classes, which has led to less dependency on online tuition/academics. Also, e-commerce is the second major sector where layoffs have happened. This is also due to a similar situation where brick-and-mortar shopping is resumed for customers, which led to less usage of e-commerce services by customers.

**Table No. 3: Table showing major acquisitions by Start-ups that did layoffs**

Sl No	Acquired by	Acquired Companies
1	Byju's	Great Learning, EPIC, Aakash Education Service Ltd, White Hat Jr, Osmo, Tutor Vista, Edurite, Toppr, Gradeup, Tynker, GeoGebra
2	Vedantu	Deeksha, Instasolv, Pedagogy
3	Unacademy	TapChief, Handa Ka Funda, Rheo TV, Swiftlearn, Spayee, NeoStencil, Coursavy

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4	UpGrad	Impartus, KnowledgeHut, Talentedge, Global Study Partners, Centum Learning
5	OYO	OYO Vacation Homes (formerly @Leisure Group), Innov8, Bornholmske Feriehuse
6	Meesho	Farmiso (since integrated), Vidit Aatrey
7	Cars24	B-Spinny (B2B business), Jabbr
8	Innovaccer	Cured, Abacus Insights

### (Acquisition done during 2020-24 till date)

From the above table, it is clear that a major chunk of investment was utilized for acquisition. This might have led them to face a serious cash crunch. Also, the company might have thought that many jobs or redundant and duplicated.

### Major Sectors Analysis:

#### Edtech:

The pandemic upended the private tutorial and paved the way for online coaching start-ups on the Edtech model. It was not a new concept, as, between 2014 and 2019, 4500 startups were born, many had premature death, and only about 5% managed to raise funds to expand. The success stories of Byju's, Unacademy, UpGrad, Vedanta, and Eruditius were valued at over \$1 billion, joined by Physics Wallah. By the end of 2021(with COVID), the market size of the industry was around \$2 billion, which made Edtech as most funded sector in India at No.3. It is to be noted that only 5% of Edtech start-ups were able to raise funds through Venture Capitalists. The Majority of Edtech raised funds for acquiring start-ups (as shown in Table No.3) and a few for expansion of business to other markets. It is true to record that physical classes started post covid have gloomed the demand for these start-ups. Despite this, a slow funding winter started in the Edtech sector right from the end of 2021 and more at the beginning of 2022. When the start-ups faced a cash crunch, to cut down the cost, they first looked at layoffs and initiated the same. When layoffs started across eth Edtech start-ups, the Authorities blamed the war in Europe and the Hawkish Stance of Central Banks, which led to funding winter. As they faced the critical cash crunch, they started cutting costs by phase-wise laying off employees. Alongside a few Startups like Byju's, which raised funds through Venture capitalists, had utilized it for acquisition in the plan of product line expansion and further invested in infrastructure building. In the second phase, they cited the reason for poor performance to lay off.

The actual reason was that the valuation blunder committed by start-ups themselves has led to the funding winter. By doubling the valuation, they raised the fund. As they had funds, they spent too much on customer acquisition. When they further witnessed funding winter, they had a cash crunch, which made them have a cost-cutting exercise. The first decision they took was to lay off employees.

#### E-Commerce:

Last year (2020-21), growth was primary, and profitability was secondary; this year (2021-22), it has reversed. This market mindset shift makes the company focus on marketing costs, which were bringing growth but not profitability. Where companies typically cut costs is the pace of expansion and spending on marketing and, therefore, customer acquisition. When they expand beyond core markets, they start employing people and investing in infrastructure even before revenue to build up. A few of them, like Blinkit, went for deep discounting tactics, which backfired. Gurugram-based construction-focused e-commerce startup Yojak laid off employees in April and May. Yojak is also shutting down its domestic operations and will now focus on Yojak Exports to export construction materials and equipment.

Fintech: It is a candidate's market, and companies have been demanding new talent for the last 12 months. The reason quoted is, Fintech is the second most trusted financial product by consumers/ market after the mortgage. But the reality is, Startups cannot compete with corporates based on traditional compensation but can leverage non-financial incentives like work-life balance and flexibility. When Fintech was in a race to attract a talent pool, they started hiring people who had experience and exposure in the Corporate world by paying a hefty package. Now they are facing a little difficulty in managing the compensation, which has made them slowly lay off a few by citing a lack of skill. Alongside a few start-ups making layoffs as a cost-cutting exercise, some showed their hand at the global macro condition, which has hurt Indian start-ups.

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Cryptocurrency exchange Coinbase dialed down its India operations as well. The platform, which intended to hire more than 1,000 people in 2022, took a sudden U-turn and halted its full-fledged launch in the country. It further slashed more than 10% headcount in India.

AgriTech: Chennai-based Animal husbandry and aquaculture startup Aggromalin laid off a few full-time employees from its corporate offices as a funding round did not materialize. The layoffs accounted for 1/3<sup>rd</sup> of the startup’s total workforce and have impacted marketing, sales, and support, among other teams. The funding round was supposed to be led by a Korean fund, which pulled out on the day of signing the deal. The layoffs came almost five months after the start-up raised funds in a pre-Series-A round from the likes of Sequoia India’s Surge, Omnivore Partners, and Zephyr Peacock India. The layoffs have prompted a pivot there, and they are looking to move away from animal husbandry and focus only on its aquaculture business. The Chennai-based startup is also in talks for a potential merger, with Licious coming up as a potential candidate.

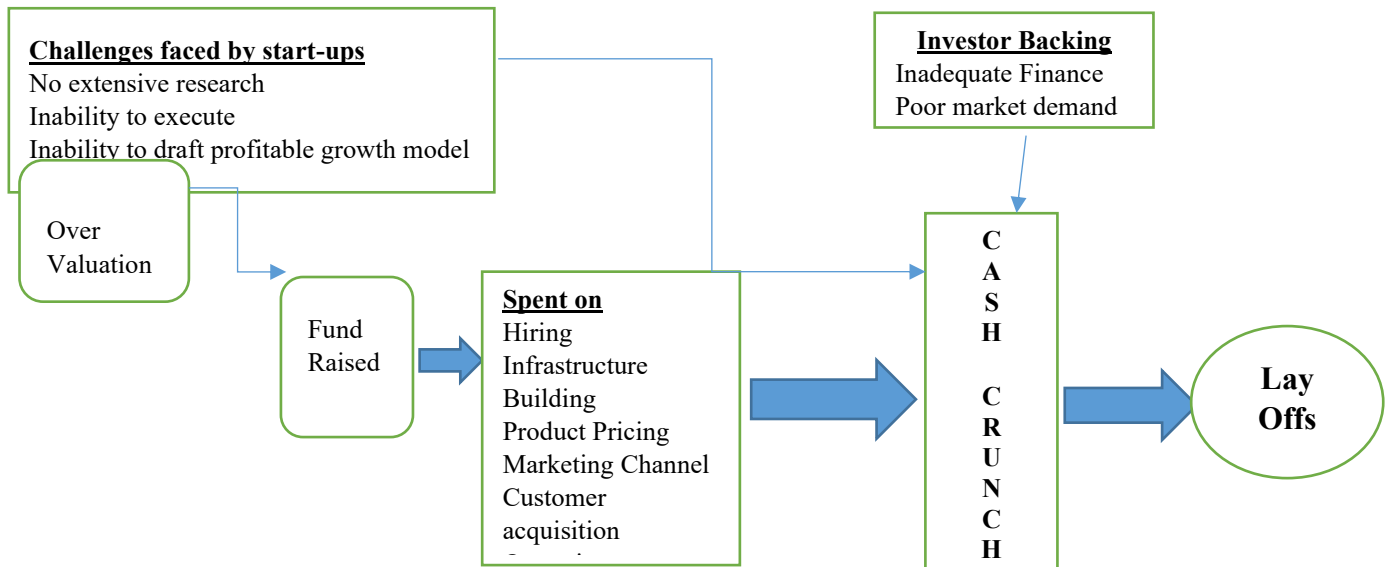
Edtech has seen the most layoffs, followed by consumer services and e-commerce. The three sectors have collectively seen 21 startups lay off 9,659 employees so far. This means that almost 9 in every 10 employees laid off were working in either consumer services, e-commerce, or Edtech.

**Table No. 4: Table showing stage-wise- Start-ups where layoffs happened**

Stage	No. of companies that laid off	Name of the Companies
Seed	1	Intact Metaversity
Early	8	Crejo.Fun, Uday, Aggromalin, Breathe Well-being, OK Credit, Value, Yellow Class, Nova Benefits
Growth	14	Vedantu, Cars24, MFine, Bikayi, Trell, FarEye, Rupeek, CityMall, Furlenco, MPL, Lead, Innovaccer, Teachmint, Chargebee
Late	11	Ola, Unacademy, Udaan, Meesho, PharmEasy, OYO, Clear, Byju’s, DailyHunt/JOSH, HealthifyMe, Brainly
Acquired	1	Toppr

Irrespective of whether the Start-up is at the seeding stage or has raised funds in a B-C series, layoffs are happening across all stages.

**Based on the above research, the following framework is designed:**



**Analysis based on Research Questions 1 and 2:** From the above framework, it is recorded that Start-ups went wrong in major thrust areas. If there could be a meticulous plan in areas like hiring, customer acquisition, mergers, and acquisitions. They would have had well-thought-out strategies when it comes to product pricing (by considering market momentum) and investing in infrastructure building before the venture starts generating revenue. They can still think of accommodating employees rather than just jumping into the decision of laying off as an immediate action to cut down the cost.

## V. CONCLUSION

The start-ups should be very careful while hiring. Rather than hiring based on immediate requirements, it should be well thought out and focus on recruiting people who have a flair for working in multidisciplinary arenas and possess multiple skills, along with an interest to learn new skills. The workforce should be optimal. In case of additional requirements of manpower, rather than hiring urgently, first, the team should try to redefine the existing team and extract optimal work. This will avoid hiring and firing unnecessarily. At the same time, the team should not retain anyone who does not fit the organization. It has to let go of them.

For any Start-up, a layoff is not the only solution when they face financial challenges. Whether layoffs will be sufficient to save the startups from failure is still in question. While some layoffs have been inevitable to handle excessive hiring and remove “underperformers,” resorting to this measure without exploring other ways to reduce costs is perhaps not the smartest move. With these developments, we can only hope that the Indian startup ecosystem can weather this storm and emerge stronger than before. Various companies are taking the step of firing their employees. As mentioned above, the reason varies from economic conditions to the pandemic to the restructuring of the company, and even the inefficiency of the employees. Apart from all these, there also seems to be a slowdown in funding and pressure from investors to make the company more and more profitable. With the current global economic situation, it seems like the worst is yet to come.

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