

Impact of Covid-19 on Payroll for Startups

The Covid-19 pandemic and ensuing lockdown has impacted many businesses and the worst hit have been the startups struggling to keep operations running. Around 70% startups have been impacted by the pandemic, according to a recent survey.

Additionally, 68% startups are cutting down their operational and administrative expenses.

The pandemic got the startups to rethink their strategies both from a business and employee management perspective. **Eight months into the pandemic, the startup ecosystem is beginning to get back on its feet, showing strong signs of recovery.**

RazorpayX, the neo-banking arm of Razorpay used ground-level data to analyse and uncover insights about the impact of COVID-19 on several aspects of Payroll in the startup ecosystem.

Payroll is a company's biggest line item, its single biggest expense; these insights are developed based on salaries and reimbursements made by startups on **RazorpayX Payroll Platform (Opfin)** between **April and November 2020.**



Impact of Covid-19 on Employee Salaries

As companies try to ensure their survival by cutting costs, many startups resorted to slashing salaries and laying off staff.

- In April, 24% employees saw salary cuts
- However, **starting September, the impact of the pandemic has been easing out** in parts and startups have been finding ways to revive their situation and improve their cash flows
- In November, only 14% of employees were affected by salary cuts

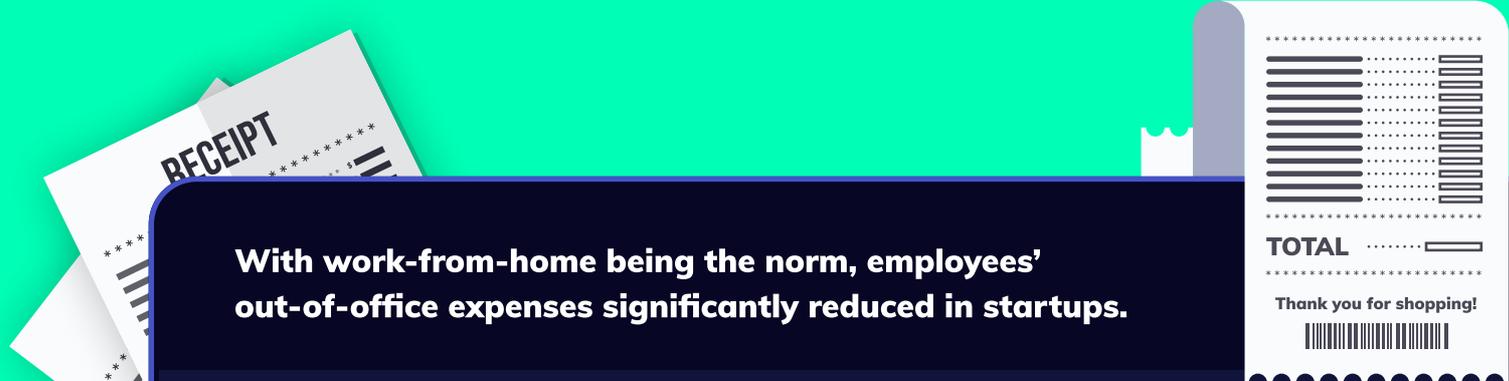
Impact of Covid-19 on Bonuses

Expecting a decline in profits due to the pandemic, startups have been taking a number of measures to conserve cash, including deferring bonuses and additional benefits to employees.



- So far in this financial year, only **59% startups paid out employee bonuses between April and November**

Impact of Covid-19 on Reimbursements



With work-from-home being the norm, employees' out-of-office expenses significantly reduced in startups.



Reimbursements saw a decline of 27% in the first three months (April - June) of the lockdown and saw 55% spike between July and November as companies started to provide reimbursements (furniture, broadband connectivity, etc.) for a comfortable remote working setup.



During the first few months of Covid-19 era, Travel and Hotel reimbursements declined by 90% and 74%, respectively and Food and Fuel saw a decline of 83% and 60%, respectively as startups were able to avoid expenses on travel, hospitality and in-house cafeteria facilities. The expenses saved in these reimbursements helped startups extend their cash runway by a few months.



However, Internet and Telephone reimbursements have seen an increase in the last few months of lockdown as startups continue to strive making remote working easier for employees by providing better internet connectivity and reimbursing telephone bills.

Exciting Opportunities

1

Automated Payroll can become a relief for the HR teams

HR Teams have taken the centre-stage in post-Covid world. From executing layoffs in a forced work-from-home situation to managing salaries across distributed workforces, the HR teams across industries are having to come up with innovative solutions for this unprecedented situation. An automated payroll management system has the scope to help these startups build transparency and track employee salaries.

2

Startups need a better way to be compliant

Startups are looking at focusing on things that help them sustain and grow their business and not get stuck in the complicated web of ever-changing guidelines. Particularly, in times like now where compliance guidelines are changing, a payroll system that can incorporate these changes as and when they happen relieves the founders of this non-value added process.

3

Payroll Automation will help Reduce Time & Human Error

57% of Indian Businesses still rely on paper or excel sheets for payroll management and processing, increasing the probability of human error and scope for tax penalties. Rectifying these may cost significant work hours. Automated payroll solutions have inbuilt compliance to enable auto tax calculations and adds value by providing consistent, accurate, error-free financial reports.

4

Plan for the Future - Better Expense Management

Payroll management solutions provide a forecast feature. This is beneficial more now in these unprecedented times than ever, helping startups plan staff costs and other relevant expenses. It also helps them get a good picture of how much revenue the startup should be making in order to accommodate all the expenses and still operate profitably.

Trends

Behind the wheels that keep a startup turning, payroll is more often forgotten until payday. **The Covid-19** situation however has changed this:

1 Contractor, freelancers and gig economy payments are on the rise among startups

Payroll software will have to extend features to accommodate for this trend in terms of on-boarding and managing compliances.

2 Conventional salary accounts have increasingly lesser importance

With work-from-home in place, and employees working from across the country, the process of opening salary accounts from a single bank has come to a standstill. Integrated salary payment solutions that work across banks are a welcome change to this unprecedented problem.

3 Increased adoption of SaaS software and Cloud for automation of payroll across all startup business verticals

A recent study revealed that 83% of enterprise workload will run on cloud platforms by 2020. Hence, a scalable cloud-based payroll software will become a much needed tool for the startups to streamline payroll operations, particularly because of the long term remote working scenario.



“The startup ecosystem went through severe levels of uncertainty due to the current times. But they’ve been doing their best to rethink strategies, up their business growth, conserve cash and sustain trust among employees. While the start of this Covid era saw significant deductions in employee salaries, it’s great to see startups show strong signs of recovery with reduced salary cuts towards November. **The last 8+ months have been tough,** but with the situation starting to ease out in parts across sectors, I’m certain that the startup community will gear up to their pre-covid levels very soon.”

He added, “Payroll is a fragmented market with no clear solution. If you see, there are **57% of Businesses in India who still rely on paper or excel sheets for payroll management and processing.** This has led to multifold errors and is a tedious process for the finance and payroll teams in any organization; and this is exactly what we are working towards changing through the RazorpayX Payroll product suite. **With an intelligent technology solution like Opfin, we are fast-tracking a few years by making the entire payroll process simple, easy and efficient for businesses.”**



Shashank Kumar

CTO and Co-Founder, Razorpay

About RazorpayX Payroll

RazorpayX Payroll, also known as **Opfin** (a recent acquisition by Razorpay) is a payroll management software that completely automates your payroll process so organisations need not worry about making timely payments to employees. An ideal solution for SMEs, **Opfin is built to focus on delivering a seamless, end-to-end payroll processing experience.** Combining the functionality of payroll software with that of outsourcing services, **Opfin not only does payroll calculations, but also executes payroll.** Executing payroll refers to the disbursement of salaries to the employees and the payment of statutory dues like **PF, PT, ESI, and TDS.**