

Start Up India-Government Action Plan for the Young Entrepreneur

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ABSTRACT

Start-ups India campaign was started on 15th august, 2015 and Prime Minister Narendra Modi launched an ambitious program called Startup India Standup India on 16 January 2016. In the recent years, different countries are taking different initiatives to link up their businesses with the Indian start-ups in almost all sectors including defence. Such joint venture can attract the huge foreign fund and playing a big role in the growth of economy as boosters. The start-ups are the kind of companies or centres of innovations which are innovative in their course of development, analysis, evaluation, research for the target segment and in employment creation in the economy. At present India is amongst the top five countries in the world in terms of startups. The year 2018 till 30th March, number of start-ups recognition is 8667 and in which number of startups funded is 99. These start-ups helped create more than 80,000 new jobs and contributed immensely to the Indian economic growth. If the growth continues in the same speed then it is expected that Indian tech start-ups will generate almost 2,50,000 lakh jobs in India by 2020. In this paper government action plans related to start-ups and its success and the initiative taken by the Indian government will be discussed.

Key words: Action Plans, Ecosystem, Economic Growth, Entrepreneur, Government initiatives, Start-ups.

INTRODUCTION

The Start-up India is the initiative of the Government of India to make a strong ecosystem of Startup in the country for nurturing innovation and providing opportunities to young entrepreneurs. A startup company (startup or start-up) is an entrepreneurial venture which is typically a newly emerged, rapidly-growing business that aims to meet a market need by developing or offering an innovative and extraordinary product, process or service. A startup is usually a company such as a small business, a partnership or an organization deliberately designed to rapidly develop a commercially viable business model. More often than not, startup companies deploy technologies, such as Internet, e-commerce, computers, telecommunications, or robotics to make a niche for them in the market. An Action Plan with 19 action points for Start-up India initiative was announced by the Prime Minister Narendra Modi on 16 January, 2016. For achieving the vision and overall objectives of the building a strong ecosystem in India it is imperative that collaborative and concerted efforts are undertaken by Centre and States/UTs together for effectively nurturing and supporting Start-ups for their success. With this objective, a set of recommendations has been drafted on which State/UT Government can act upon and implement to develop an enabling Start-up ecosystem. Hence, there is need to spread awareness about this programme in all the institutions including Indian Institutes for Technology (IIT), central universities, Indian Institutes of Management (IIM), etc. so that they can be connected live through this scheme in future. It will be

proved much helpful in improving the economic growth of the country and career growth of the youths. The objective of startup is that India must become a country of job creators instead of being a country of job seekers.



REVIEW OF LITERATURE

Shri Narendra Modi Prime Minister of India, “I see startups, technology and innovation as exciting and effective instruments for India’s transformation.”

Dhirubhai Ambani, “Think big, think fast, think ahead. Ideas are no one’s monopoly.”

OBJECTIVES OF THE STUDY

1. To study the scope of Startups in India.
2. To examine the present successful start-ups in India.
3. To identified the problems faced by the start-ups in India.
4. To identify various government Action Plan & initiatives for the development of start-ups.
5. To Study the progress made by the States/ UTs for promoting Startup ecosystem.
6. Facilitate States/ UTs to identify, learn and replicate good practices.
7. To examine start-up contribution to economic growth by way of employment generation& impact on GDP.

RESEARCH METHODOLOGY

This is a theoretical and descriptive type study based on the secondary data extracted from a number of published sources such as the documents and the white papers of the government, international bodies, and think tanks; the articles and other publication of the economists, scholars, and the experts; as well as the data from print and electronic media. The methodology may include both present & historical information. Various Data and materials used in paper are actual, reliable and current because main source of data is the various government website. Some material modified when views taken from the various sources. Due to secondary base of data, proper references have been given wherever necessary. Thus, this has been used to study the conceptual framework, definition, present trends startup India in India.

WHAT IS A STARTUP?

Startup Definition [As defined by Department of Industrial Policy & Promotion (DIPP)]

Startup means an entity, incorporated or registered in India:

- Not prior to seven years, however for Biotechnology Startups not prior to ten years,
- With annual turnover not exceeding INR 25 crore in any preceding financial year, and
- Working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation

Provided that such entity is not formed by splitting up, or reconstruction, of a business already in existence.

Provided also that an entity shall cease to be a Startup if its turnover for the previous financial years has exceeded INR 25 crore or it has completed 7 years and for biotechnology startups 10 years from the date of

incorporation/ registration. Provided further that a Startup shall be eligible for tax benefits only after it has obtained certification from the Inter-Ministerial Board, setup for such purpose.



STARTUP INDIA ACTION PLAN

Action Plan i.e proposed schemes and incentives the Government hopes to accelerate spreading of the Startup movement from digital/ technology sector to a wide array of sectors including agriculture, manufacturing, social sector, healthcare, education, etc.; and from existing tier 1 cities to tier 2 and tier 3 cities including semi-urban and rural areas. The Action Plan is divided across the following areas:

Action Plan I - Simplification and Handholding (Total 6)

Action Plan II - Funding Support and Incentives (Total 5)

Action Plan III - Industry-Academia Partnership and Incubation (Total 8)



Action Plan I Simplification and Handholding

1. **Compliance Regime based on Self-Certification:** The process of conducting inspections of startup shall be made more meaningful and simple and allowed to self-certify compliance through the Startup mobile app with 9 labour and environment laws. In case of the labour laws, no inspections will be conducted for a period of 3 years. Startups may be inspected on receipt of credible and verifiable complaint of violation, filed in writing and approved by at least one level senior to the inspecting officer. In case of environment laws, Startups which fall under the 'white category' (as defined by the Central Pollution Control Board (CPCB)) would be able to self-certify compliance and only random checks would be carried out in such cases. The main object of Compliance Regime based on Self-Certification is to reduce the regulatory burden on Startups.



2. **Startup India Hub:** Many Startups in today's environment do not reach their full potential due to limited guidance and access. So Indian Government is working on ecosystem to improve business environment for these Startups. These are as follows:

- To work in a hub and spoke model and collaborate with Central and State governments, Indian & foreign VCs, angel networks, incubators, banks, universities and research & development institutions, legal partners, consultants, etc.
- To assist Startups through obtaining financing, feasibility testing, business structuring advisory, enhancement of marketing skills, technology commercialization and management evaluation.
- To organize mentorship programs in collaboration with government organizations, incubation centers, educational institutions and private organizations who aspire to foster innovation.



3. **Rolling-out of Mobile App and Portal:** Startups require a single platform for registration with relevant Government and regulatory institutions to commence business operations in an easy and timely manner. The App shall be made available from April 01, 2016 on all leading mobile/ smart devices' platforms. The Startup portal shall have similar functionalities (being offered through the mobile app) using a richer web-based User Interface. For this purpose the Government shall introduce a Mobile App to provide on-the-go accessibility for:

- Simple registration form, information exchange and processing of the registration application with Ministry of Corporate Affairs and Registrar of Firms.
- Tracking the status of the registration application and downloading a digital version of the final registration certificate shall be made through the Mobile App.
- Filing for compliances and obtaining information on various clearances/ approvals/ registrations required.
- The App shall provide a collaborative platform with a national network of stakeholders (including venture funds, incubators, academia, mentors etc.) of the Startup ecosystem to have discussions towards enhancing and bolstering the ecosystem.
- Applying for different schemes being undertaken under the Startup India Action Plan.



4. **Legal Support and Fast-tracking Patent Examination at lower Costs:** The scheme for Startup Intellectual Property Protection (SIPP) shall facilitate filing of Patents, Trademarks and Designs by innovative Startups with a high quality Intellectual Property services and resources, including fast-track examination of patent applications and rebate in fees. The scheme is being launched initially on a pilot basis for 1 year; based on the experience gained, further steps shall be taken. Various measures being taken in this regard include:

- Fast-tracking of Startup patent applications.
- Panel of facilitators to assist in filing of IP applications: By Controller General of Patents, Designs and Trademarks (CGPDTM).
- Central Government to bear facilitation entire filing cost or fees and the Startups shall bear the cost of only the statutory fees payable.
- 80% Rebate on filing of patent application. This will help them pare costs in the crucial formative years.



5. **Relaxed Norms of Public Procurement for Startups:** To provide an equal platform to Startups (in the manufacturing sector) vis-à-vis the experienced entrepreneurs/ companies in public procurement who have their own manufacturing facility in India for the completion of project. At present, effective April 1, 2015 Central Government, State Government and PSUs have to mandatorily procure at least 20% from the Micro Small and Medium Enterprise (MSME). In order to promote Startups, Government shall exempt Startups (in the

manufacturing sector) from the criteria of “prior experience/ turnover” without any relaxation in quality standards or technical parameters.



- Faster Exit for Startups:** In the event of a business failure, a swift and simple and easier process has been proposed for Startups to wind-up operations. This will promote entrepreneurs to experiment with new and innovative ideas, without having the fear of facing a complex and long-drawn exit process where their capital remain interminably stuck. The Insolvency and Bankruptcy Bill 2015 (“IBB”), tabled in the Lok Sabha in December 2015 has provisions for the fast track and / or voluntary closure of businesses within a period of 90 days if meeting such bill criteria. On appointment of the insolvency professional, the liquidator shall be responsible for the swift closure of the business, sale of assets and repayment of creditors within six months of such appointment in accordance with the distribution waterfall set out in the IBB. This process will respect the concept of limited liability.



Action Plan II - Funding Support and Incentives

- Providing Funding Support through a Fund of Funds with a Corpus of INR 10,000 crore:** Government will set up a fund with an initial corpus of INR 2,500 crore and a total corpus of INR 10,000 crore over a period 4 years (i.e. INR 2,500 crore per year) . The Fund will be in the nature of Fund of Funds, which means that it will not invest directly into Startups, but shall participate in the capital of SEBI registered Venture Funds. The Fund of Funds shall be managed by a Board with private professionals drawn from industry bodies, academia, and successful Startups. LIC shall be a co-investor in the Fund of Funds. The Fund of Funds shall contribute to a maximum of 50% of the stated daughter fund size. In order to be able to receive the contribution, the daughter fund should have already raised the balance 50% or more of the stated fund size as the case maybe. The Fund of Funds shall have representation on the governance structure/ board of the venture fund based on the contribution made. The Fund shall ensure support to a broad mix of sectors such as manufacturing, agriculture, health, education, etc.
- Credit Guarantee Fund for Startups:** Debt funding to Startups is also perceived as high risk area and to encourage Banks and other Lenders to provide Venture Debts to Startups, Credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/ SIDBI is being envisaged with a budgetary Corpus of INR 500 crore per year for the next four years in the case of failure of Startups as a credit guarantee.
- Tax Exemption on Capital Gains:** To promote investments into Startups by mobilizing the capital gains arising from sale of capital asset exemption shall be given to persons who have capital gains during the year, if they have invested such capital gains in the Fund of Funds recognized by the Government.
- Tax Exemption to Startups for 3 years:** To promote the growth of Startups and address working capital requirements Innovation is the essence of every Startup. With a view to stimulate the development of Startups in India and provide them a competitive platform, it is imperative that the profits of Startup initiatives are

exempted from income-tax for a period of 3 years. The exemption shall be available subject to non-distribution of dividend by the Startup.

5. **Tax Exemption on Investments above Fair Market Value:** To encourage seed-capital investment in Startups is the action plan. The Income Tax Act, 1961, where a Startup (company) receives any consideration for issue of shares which exceeds the Fair Market Value (FMV) of such shares, such excess consideration is taxable in the hands of recipient as Income from Other Sources. Currently, investment by venture capital funds in Startups is exempted from operations of this provision. The same shall be extended to investment made by incubators in the Startups.

Action Plan III - Industry-Academia Partnership and Incubation

1. **Organizing Startup Fests for Showcasing Innovation and Providing a Collaboration Platform:** For an effective Startup ecosystem, active participation of academia, investors, industry and other stakeholders is important. In India, the Government is proposing to introduce Startup fests at national and international stages annually as part of “Make in India” initiative. The fests shall have activities such as sessions to connect with investors, mentors, incubators and Startups, showcasing innovations, exhibitions and product launches, pitches by Startups, mentoring sessions, curated Startup walks, talks by disruptive innovators, competitions such as Hackathon, Makerspace, etc., announcements of rewards and recognitions, panels and conferences with industry leaders, etc.



2. **Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program:** The Atal Innovation Mission (AIM) shall have two core functions:
 - Entrepreneurship promotion through Self-Employment and Talent Utilization (SETU), wherein innovators would be supported and mentored to become successful entrepreneurs.
 - Innovation promotion: to provide a platform where innovative ideas are generated.



3. **Harnessing Private Sector Expertise for Incubator Setup:** To ensure professional management of Government sponsored or funded incubators, Government will create a policy and framework for setting-up of incubators across the country in public private partnership.



4. **Building Innovation Centres at National Institutes:** To propel successful innovation through augmentation of incubation and R&D efforts. In order to augment the incubation and R&D efforts in the country, the Government will set up/ scale up 31 centres (to provide facilities for over 1,200 new Startups) of innovation and entrepreneurship at national institutes, including: (Source Data as on 30th March 2018)

Startup Centres		Technology Business Incubators		
RGIM Shillong	NIT Goa	MANIT Bhopal	IISER Bhopal	NIT Warangal
NIT Delhi	NIT Agartala	NIT Rourkela	IIM Rohtak	MNIT Jaipur

MNIT Allahabad	NIT Silchar	NIT Jalandhar	IIT Mandi	NIT Tiruchirappalli
VNIT Nagpur	IIT Bhubaneswar	IIM Udaipur	IISER Mohali	IIT Patna
IITDM Kancheepuram	NIT Patna	NIT Calicut	IIT Roorkee	
PDPM-IITDM Jabalpur	NIT Arunachal	IIT Ropar	IIM Kozhikode	
ABVIITM Gwalior		IISER Thiruvananthapuram	IIM Raipur	

5. **Setting up of 7 New Research Parks Modeled on the Research Park Setup at IIT Madras** To propel successful innovation through incubation and joint R&D efforts between academia and industry The Government shall set up 7 new Research Parks in institutes indicated below with an initial investment of INR 100 crore each. The Research Parks shall be modeled based on the Research Park setup at IIT Madras. (Source Data as on 30th March 2018)

Research Parks	IIT Guwahati	IIT Hyderabad	IIT Kanpur	IIT Kharagpur	IISc Bangalore	IIT Gandhinagar	IIT Delhi
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6. **Promoting Startups in the Biotechnology Sector:** To foster and facilitate bio-entrepreneurship Department of Biotechnology endeavors to scale up the number of Startups in the sector by nurturing approximately 300-500 new Startups each year to have around 2,000 Startups by 2020. In order to promote Startups in the sector, The Department of Biotechnology shall be implementing the following measures along with its Public Sector Undertaking Biotechnology Research Assistance Council (BIRAC):

Bio-incubators, Seed Fund and Equity Funding:

- 5 new Bio-clusters, 50 new Bio-Incubators, 150 technology transfer offices and 20 Bio-Connect offices will be set up in research institutes and universities across India.
- Biotech Equity Fund – BIRAC AcE Fund in partnership with National and Global Equity Funds (Bharat Fund, India Aspiration Fund amongst others) will provide financial assistance to young Biotech Startups.

Encouraging and leveraging global partnerships:

- Bengaluru-Boston Biotech Gateway to India has been formed. Letter of Intent has been signed between DBT, GoI and Department of IT, Government of Karnataka for the same. Through this initiative, a range of institutes in Boston (Harvard/ MIT) and Bengaluru will be able to connect to share ideas and mentor the entrepreneurs especially in the areas of Genomics, Computational Biology, Drug Discovery and new vaccines.
- Amplification of Bio-entrepreneurship through BIRAC Regional Entrepreneurship Centres (BREC). The BREC aims to impart bio-entrepreneurs with the necessary knowledge and skills required for converting innovative ideas into successful ventures. Department of Biotechnology shall set up 5 Regional centres or Mini-BIRACs in the next 5 years.



7. **Launching of Innovation Focused Programs for Students:** In order to promote research and innovation in the field of Science and Technology, among young students, the Government shall implement the following measures:

- Innovation Core. Innovation Core program shall be initiated to target school kids with an outreach to 10 lakh innovations from 5 lakh schools. One lakh innovations would be targeted and the top 10,000 innovations would be provided prototyping support. Of these 10,000 innovations, the best 100 would be shortlisted and showcased at the Annual Festival of Innovations in the Rashtrapati Bhavan.
 - NIDHI: A Grand Challenge program (“National Initiative for Developing and Harnessing Innovations) shall be instituted through Innovation and Entrepreneurship Development Centres (IEDCs) to support and award INR 10 lakhs to 20 student innovations from IEDCs.
 - Uchhattar Avishkar Yojana: A joint MHRD-DST scheme which has earmarked INR 250 crore per annum towards fostering “very high quality” research amongst IIT students. The funding towards this research will be 50% contribution from MHRD, 25% from DST and 25% from industry. This format has been devised to ensure that the research and funding gets utilized bearing in mind its relevance to the industry. Each project may amount to INR 5 crore only. This scheme will initially apply to IITs only.
8. **Annual Incubator Grand Challenge:** To support creation of successful world class incubators in India. For a new idea to become a successful commercial venture, adequate support and mentoring at various stages of the business lifecycle is required. Incubators play an important role in identifying early stage Startups and supporting them across various phases of their lifecycle. In order to build an effective Startup ecosystem, it is imperative that world class incubators, adopting leading industry practices, are setup in the country. The Government is proposing to make forward looking investments towards building world class incubators. In its first phase, the aim is to establish 10 such incubators. To enable this, GoI shall identify and select 10 incubators who have the potential to become world class. These incubators would be given INR 10 crore each as financial assistance which may be used for ramping up the quality of service offerings. The incubators shall also become reference models for other incubators aspiring to offer best-in-class services. Video interviews of these incubators would be showcased on the Startup Indiaportal. An “Incubator Grand Challenge” exercise shall be carried out for identification of these incubators. The exercise shall entail:
- Open invitation of applications from incubators
 - Screening and evaluation based on pre-defined Key Performance Indicators (KPIs)
- The Incubator Grand Challenge shall be an annual exercise.

**STATUS REPORT OF STARTUP INDIA
(Source Data as on 30th March 2018)**

Registration		Startup Recognition			Funding Support
Learning and Development Module	Startup India Hub	Till Date	Last Month	This Month	Startups Funded
1,97,967	30,080	8,667	912	962	99

What is Startup Recognition?

Under the Startup India Action Plan, startups that meet the definition as prescribed under the G.S.R. notification 501 (E), are eligible to apply for recognition under the program. The Startups have to provide support documents, at the time of application. Find out more how you can apply and get recognised here:

Application:






- [Click here for submitting your application for recognition as a Startup](#)

- Click here to retrieve and continue filing your saved application
- Application status
- Edit application

Validation of Startup Recognition: Validate Certificate Number / Entity Name

Entities: Click here to view entities recognised by DIPP as Startups

BENEFITS OF STARTUP

Are you a Startup?		
1		Up to 7 years and for biotechnology startups up to 10 years from its date of incorporation / registration.
2		Incorporated as either a Private Limited Company or a Registered Partnership Firm or a Limited Liability Partnership.
3		Turnover for any fiscal year has not exceeded INR 25 crore.
4		Entity should not have been formed by splitting up or reconstruction a business already in existence.
5		Working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

Why Register?	
1	Self-Certification and compliance under 9 environmental & labour laws.
2	Startup Patent Application fast track & up to 80% rebate in filing patents.
3	Public Procurement fast track under the criteria of "prior experience/turnover" for startups in all Central Government ministries/departments.
4	Winding Up Company in 90 days under insolvency & Bankruptcy code 2016.
5	INR 10,000 Crore Fund of funds for investment into startups through Alternate Investment Funds
6	INR 2,000 Crore Credit guarantee fund for startups through National Credit Guarantee Trust Company / SIDBI over 4 years
7	Tax Exemptions on Income tax for 3 years
8	Tax Exemptions on capital gains & on Investments above Fair Market Value

CONCLUSION

The success of Startup India campaign hinges on initiatives like faster and easier registration of Companies, self-certification for many legal requirements, zero inspection for three years, funding for patents, and speed of patent protection. It is important to add provisions which aid the closure of dead companies within 90 days.

Indian lawmakers could do this under the new bankruptcy bill. The central theme is that ease of starting and

ending is critical in the context high rate of startup mortality. This research paper found that respondents supported the idea of funding for incubation centers. The Government proposal do so, across Universities, innovation movements, research parks and industry parks is on similar lines. The promise of an initial capital of ten thousand crores over a period of four years from the government is capable of attracting tenfold investment by 2022. Credit guarantee for startup lending is the booster dose required to galvanize Indian industry. Incentives in the form of tax holiday for three years are a benefit worth considering. It is also apt to consider equating capital gains with the regime in the listed market. Most importantly, foreign exchange regulations are to be in tune with investor needs, so that the best do not register outside India. Global investors demand a benign tax certainty regime so that they remained invested for the long term.

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