

A Study Of Startup Scheme In India

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Introduction

Startup India Scheme is an initiative by the Government of India for generation of employment and wealth creation. The goal of Startup India is the development and innovation of products and services and increasing the employment rate in India. Benefits of **Startup India Scheme** is Simplification of Work, Finance support, Government tenders, Networking opportunities. Startup India was launched by Prime Minister Shri. Narendra Modi on 16th January 2016.

Definition of “Startup” **Any company which fall into below list of category will be called as “Startup” and eligible to be recognised by the DPIIT to avail the benefits from the Government of India. Under the Startup India Initiative, the companies which are registered under DPIIT are eligible to receive the following benefits:**

Age of the Company – The Date of Incorporation should not exceed 10 years

Type of Company – Should have been Incorporated as a Private Limited Company or a Registered Partnership Firm or a Limited Liability Partnership

Annual Turnover – Should not exceed Rs.100 crore for any of the financial years since its Incorporation

Original Entity – The company or Entity should have been formed originally by the promoters and should not have been formed by splitting up or reconstructing an existing business

Simplification and Handholding – Easier compliance, easier exit process for failed startups, legal support, fast-tracking of patent applications and a website to reduce information asymmetry.

Funding & Incentives – Exemptions on Income Tax and Capital Gains Tax for eligible startups; a fund of funds to infuse more capital into the startup ecosystem and a credit guarantee scheme.

Incubation & Industry-Academia Partnerships – Creation of numerous incubators and innovation labs, events, competitions and grants Last year has been a year of ups and downs, especially due to the COVID-19 pandemic, which hit across the globe. A lot many strong entrepreneurs in India have dived into business opportunities and tested their ideas. While some of them have failed, others thrived like anything. India supports the rise of startups because it has low-cost skilled labor, funding from national and international investors, and growth opportunities. According to Financial Express, start-up funding has reached a new high in 2023. In addition to the huge venture capitalists, institutional investors and pension funds are also investing in many new online businesses. In the period of Jan-March 2021, investors have infused around \$4.4 billion into Indian startups, and this amount is 26% more than the investments made last year in the same quarter. The top gainers in the funding deals are the Fintech and Financial Services companies, followed by Retail and Ecommerce companies and EdTech companies . This shows that startups have found a way to stay aloft even after the turbulence due to the COVID-19 pandemic in India.

Looking at the most significant deals between companies in India, e.g., Walmart and Flipkart (having Myntra and PhonePe), it is not at all surprising to see that India is growing up as a hub of the biggest startups. One 97 Communications (PayTM), Ola cabs, Dream 11, Swiggy, and Razorpay are a few of the rich valued Indian startups across the world. The country is now getting more startup unicorns, including companies from the sectors like Healthtech, social commerce, finance, and more. Unicorn companies in the business are those startups that value at more than \$ 1 billion. As of April 2021, there are more than 600 unicorns across the globe. These startups have survived incredibly over the years and are looking to expand their reach further.

Top Startups in India

These are the top 20 startups in India

- CRED
- Vernacular.ai
- PharmEasy
- Digit Insurance
- Meesho
- Groww
- Nykaa
- Udaan
- Dream11
- Swiggy
- Instamojo
- PostMan
- Delhivery
- Slice
- InMobi
- Practo
- Boat
- Skyroot Aerospace
- LivSpace

The salient features of Startup India initiative –

i. Startup India Action Plan:

An Action Plan for Startup India was unveiled by the Hon'ble Prime Minister on 16th January 2016. The Action Plan comprises of 19 action items spanning across areas such as “Simplification and handholding”, “Funding support and incentives” and “Industry- academia partnership and incubation”. The Action Plan laid the foundation of Government support, schemes and incentives envisaged to create a vibrant startup ecosystem in the country.

ii. Startup India:

The Way Ahead: Hon'ble Prime Minister unveiled Startup India: The Way Ahead at 5 years celebration of Startup India on 16th January 2021 which includes actionable plans for promotion of ease of doing business for startups, greater role of technology in executing various reforms, building capacities of stakeholders and enabling a digital Aatmanirbhar Bharat.

iii. Startup India Seed Fund Scheme (SISFS):

Easy availability of capital is essential for entrepreneurs at the early stages of growth of an enterprise. The capital required at this stage often presents a make or break situation for startups with good business ideas. Hon'ble Prime Minister launched SISFS on 16th January, 2021. The Scheme aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization. It will support an estimated 3,600 entrepreneurs through 300 incubators in the next 4 years.

iv. Fund of Funds for Startups (FFS) Scheme:

The Government has established FFS with corpus of Rs. 10,000 crore, to meet the funding needs of startups. DPIIT is the monitoring agency and Small Industries Development Bank of India (SIDBI) is the operating agency for FFS. The total corpus of Rs. 10,000 crore is envisaged to be provided over the 14th and 15th Finance Commission cycles based on progress of the scheme and availability of funds. It has not only made capital available for startups at early stage, seed stage and growth stage but also played a catalytic role in terms of facilitating raising of domestic capital, reducing dependence on foreign capital and encouraging home grown and new venture capital funds.

v. Ease of Procurement:

To enable ease of procurement, Central Ministries/ Departments are directed to relax conditions of prior turnover and prior experience in public procurement for all Startups subject to meeting quality and technical specifications. Further, Government e-Marketplace (GeM) Startup Runway; a dedicated corner for startups to sell products & services directly to the Government.

vi. Self-Certification under Labour and Environmental laws:

Startups are allowed to self-certify their compliance under 6 Labour and 3 Environment laws for a period of 3 to 5 years from the date of incorporation.

vii. Income Tax Exemption for 3 years:

Startups incorporated on or after 1st April 2016 can apply for income tax exemption. The recognised startups that are granted an Inter-Ministerial Board Certificate are exempted from income-tax for a period of 3 consecutive years out of 10 years since incorporation.

viii. Exemption for the Purpose Of Clause (VII)(b) of Sub-section (2) of Section 56 of the Act:

A DPIIT recognized startup is eligible for exemption from the provisions of section 56(2)(viib) of the Income Tax Act.

ix. Startup India Hub:

The Government launched a Startup India Online Hub on 19th June 2017 which is one of its kind online platform for all stakeholders of the entrepreneurial ecosystem in India to discover, connect and engage with each other. The Online Hub hosts Startups, Investors, Funds, Mentors, Academic Institutions, Incubators, Accelerators, Corporates, Government Bodies and more.

x. National Startup Awards:

National Startup Awards is an initiative to recognize and reward outstanding startups and ecosystem enablers that are building innovative products or solutions and scalable enterprises, with high potential of employment generation or wealth creation, demonstrating measurable social impact.

xi. International Access to Indian Startups:

One of the key objectives under the Startup India initiative is to help connect Indian startup ecosystem to global startup ecosystems through various engagement models. This has been done through international Government to Government partnerships, participation in international forums and hosting of global events. Startup India has launched bridges with over 13 countries (Brazil, Sweden, Russia, Portugal, UK, Finland, Netherlands, Singapore, Israel, Japan, South Korea, U.S.A, Germany) that provides a soft-landing platform for startups from the partner nations and aid in promoting cross collaboration.

xii. Support for Intellectual Property Protection:

Startups are eligible for fast-tracked patent application examination and disposal. The Government launched Start-ups Intellectual Property Protection (SIPP) which facilitates the startups to file applications for patents, designs and trademarks through registered facilitators in appropriate IP offices by paying only the statutory fees. Facilitators under this Scheme are responsible for providing general advisory on different IPRs, and information on protecting and promoting IPRs in other countries. The Government bears the entire fees of the facilitators for any number of patents, trademark or designs, and startups only bear the cost of the statutory fees payable. Startups are provided with an 80% rebate in filing of patents and 50% rebate in filing of trademark vis- a-vis other companies.

xiii. Faster Exit for Startups:

Ministry of Corporate Affairs has notified Startups as 'fast track firms' enabling them to wind up operations within 90 days vis- a-vis 180 days for other companies.

Eligibility criteria

- I. Upto a period of ten years from the date of incorporation/ registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India.
- II. Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded one hundred crore rupees.
- III. Entity is 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 an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Startup'.

Women Entrepreneurship under Startup India Initiative

Women-owned business enterprises are playing a prominent role in the society inspiring others and generating more employment opportunities in the country. To promote flow of both equity and debt to women led startups, interactions of such women entrepreneurs with venture funds supported by SIDBI and lending institutions including banks are being organized by inviting applications on the 'Startup India Hub' and inviting selected women entrepreneurs, after a process of screening by experts, to interact with these institutions for both equity/debt funding. Specific and suitable entrepreneurship development programmes for women led startups throughout the country are being designed by ascertaining the training/skilling needs of the target groups. To meet the advisory needs of the start-ups led by women, legal, tax, financial and other service providers are being sought to get them connected with each other through the Startup India Hub. The following steps have been taken under Startup India Initiative to promote women entrepreneurship all over India which are also available for the women entrepreneurs in the State of Maharashtra:-

- i. 10% of the fund (Rs 1000 crore) in the Fund of Funds operated by SIDBI has been reserved for women led startups, which will have a multiplier effect as Rs 1000 crore would mean overall corpus of Rs 7000 crore. All the AIFs where SIDBI takes equity have been mandated to contribute 20% in businesses which are women led, women influenced and women employment or women consumption centric.
- ii. Women Capacity Development Programme (WING) is a unique Capacity Development Program for women-led startups, to identify and support both aspiring and established women entrepreneurs in their startup journeys. The workshops are open to variety of business sectors including Tech, Construction, Product, Machine, Food, Agriculture, Education, etc. The workshops served as a platform for emerging women entrepreneurs and other stakeholders to discuss the key challenges facing women entrepreneurs. WING workshops have created a conducive environment to share best practices and experiences in overcoming challenges and to gain insights learned from the business models adopted in the Indian context. A total of 24 workshops were conducted across 9 States, benefitting more than 1,300 women entrepreneurs.
- iii. Virtual Incubation Program for Women Entrepreneurs were conducted in collaboration with Zone Startups to support 20 women-led tech startups with pro-bono acceleration support for 3 months.
- iv. A webpage dedicated to women entrepreneurs has been designed on the Startup India portal. The page mentions in a collated format all the incentives for women entrepreneurs as per the State Startup Policies.

Best ways for funding start up business-

For many, the decision about whether or not now is the right time to start a business comes down to funding. There are quite a few different ways that you can go about funding a startup, but not all are created equal. You may have a wonderful business idea that you have perfected, but it won't mean much if you don't have the funding in place to not only make your business happen, but allow it to succeed. Below are the five best and most popular options for funding a startup:

1. Crowdfunding.

This is one of the newer ways of funding a startup that has just recently taken the world by storm. Platforms like Kickstarter or Indiegogo are great examples of websites where you create a crowdfunding campaign. If you've never heard of it, the way it works is this: Anyone can contribute money toward helping a business that they really believe in. An entrepreneur will put up a detailed description of his/her business on a platform such as Kickstarter--goals of the business, future financial strategies for turning a profit, the target audience, how much funding he/she needs and for what reasons, etc.--and then consumers can read about the business and give money if they choose. Generally, those giving money will make online pledges with the promise of pre-buying the product, giving a donation, or earning some type of reward (anything from a free notepad to a free iPod).

2. Venture Capitalist.

A venture capitalist investor is essentially a professional group that looks specifically for startups to fund. As you might imagine, this option has a lot of money available to offer to startups and plenty of resources to actually help your business succeed. For many, a venture capitalist would be the ideal funding situation.

However, there are a few major downsides to this option. For one, they typically look for larger opportunities that are a little bit more stable, meaning the company would need a strong team of people and a even few million dollars. You also have to be flexible with your business and sometimes give up a little bit more control, so if you're not interested in too much mentorship or compromise, this might not be your best option.

3. Angel Investor.

Angel investors work similarly to venture capitalists except they are much smaller operation, sometimes only one person. They oftentimes want a large portion of your company, meaning when you make money, they also make money (for example, owning 49 percent of your company is not unheard of with an angel investor). In the end, this is actually probably one of the most popular options for those who are really serious about funding a startup because it allows you to keep control over your company, earn mentorship when it's needed, and hopefully make money as your company continues to grow.

4. Small Business Loan.

Oftentimes the first place that entrepreneurs go when thinking about funding is the bank. There are many specialized options available for situations like small business ownership (such as microloans), but your obstacle here is finding your way through such a tough lending period. When you go into the bank, you have to have to be able to present how every penny of the loan will be spent, and even then sometimes a first-time business owner seems too risky to the bank and you won't get the loan. If this is the case, you may also want to consider a small business loan alternative from a provider like Express Capital where they specialize in these specific types of financing.

5. Credit Cards.

If you have an excellent credit history, you may be able to use that to help you use a line of credit to fund your startup. There are specific credit cards designed for entrepreneurs, so visit your bank and talk about some of your options. This is definitely the riskiest option on the list, but if you can make it work, it can likely offer you the best results from the perspective of having --full control and full ownership of your company.

The above 5 ways for funding a startup are a great place to start and bring the most success to the majority of companies.

References -

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