

A descriptive study of opportunities and challenges of STARTUP INDIA Mission

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ABSTRACT

The research is based on the descriptive study so as to understand the various opportunities offered by the Startup India mission which entrepreneurs can take advantage for startup of their own business and to analyse the challenges and shortcomings posed in the implementation of Startup India Mission.

● INTRODUCTION :

Prime Minister Narendra Modi on 15 August 2015 announced “Start up; Stand up India”, an initiative to enable start-ups and encourage entrepreneurship in India thereby leading to creation of employment opportunities in the nation. Start-ups such as online businesses like Flipkart, Amazon, Myntra, Snapdeal, etc are now some of the most valuable and successful private companies in India on account of such initiatives taken by the Government. According to a report by National Association of Software and Services Companies (NASSCOM) in October 2015, India among the global start-up ecosystems ranks third behind only the US and the UK.

Nirmala Sitharaman, the head of the Commerce and Industry Ministry in order to help budding entrepreneurs have asked all the states and the Union Territories to set up Startup Hubs and incubators which will help to achieve the startup mission. The startup hub set up by the Department of Industrial Policy and Promotion (DIPP) has been in operation since April and helps start-ups in resolving their queries and provides support both financial and non- financial wherever necessary. The DIPP in a status report on Startup India stated that so far, 12,290 queries received from startups through telephone, email and twitter have been resolved by the hub. The DIPP also proposes to request top companies to set up new incubators or scale up existing incubators in collaboration with educational institutes so as to support the startup initiative. Furthermore, National Expert Advisory Committee formed by the HRD Ministry has also recommended seven proposals for Research Parks, 16 proposals for Technology Business Incubators and 13 proposals for startup centres.

Key words: Start up, Entrepreneurs, Challenges.

● OBJECTIVES OF STUDY :

1. To understand the various opportunities offered by the Startup India mission that entrepreneurs can take advantage of in order to startup their own business.
2. To analyse the challenges and shortcomings posed in the implementation of Startup India Mission.

● RESEARCH METHODOLOGY :

The research is descriptive in nature and it is based on the data collected from secondary sources like articles, blogs and online websites.

● REVIEW OF LITERATURE :

Abhishek Sinha, the Co-Founder and CEO of Eko India Financial Services was of the view that the Prime Minister seated with entrepreneurs on a national platform are very positive signals. However, small problems such as bank funding in the lack of any collateral turn out to be big roadblocks for many entrepreneurs. He stated that we cannot have a long list of intangibles in our balance sheet. There has to be an acknowledgement that IT products are being created. Banks are careful while giving out loans. When we started out, we had to depend on loans and credit cards.

According to Jayant Sinha, Minister of State for Finance at present, 90 percent of funding comes from foreign venture capitals and domestic financiers could change the nature of innovation as well. In a recent study by Grant Thornton it was revealed that in 2015 more than 600 such companies got funding, with over \$2 billion deployed by PE and VC funds.

Ramesh Abhishek, Secretary of DIPP stated that the Government could still benefit from more learning. He said that there have been tax benefits and provisions of funds have been launched. Government is making some tweaks so that it makes Startup India easier. According to him, the government has a long way to go. It has been a great learning experience even for the Government. He said that they themselves had to understand a lot of things in regulations and startups are the next big thing and they want to engage with startups.

● OPPORTUNITIES AND CHALLENGES OF THE STARTUP INDIA PROGRAMME :

OPPORTUNITIES :

The various opportunities made available to startups through the Startup India programme include the 19 measures proposed by the Government which include:

1) Self-Certification for Startups:

The main objective of Startup India is to enable startups to focus on their core business by reducing the regulatory burden on them and keep the cost of compliance as low as possible. Certain regulatory formalities that require compliance with a number of labour and environment laws tend to be time consuming and complex in nature. Therefore, the procedure for conducting inspections shall be made more simple by allowing startups to self-certify compliance with 9 labour and environmental laws using the startup mobile app.

2) Setting Up Of Startup India Hub:

In order to help the entrepreneurs to exchange knowledge and get access to financial aids, a single contact point for start-up foundations in India an all-India hub will be created. The "Startup India Hub" will facilitate the collaboration with Central & State Governments, banks, incubators, legal partners, consultants, universities and R&D institutions. The programme also facilitates the organization of mentorship programs who encourage and promote innovation.

3) Convenience through Mobile App:

A mobile application has been launched for the purpose of facilitating interaction between startups and Government agencies for exchange of information among various stakeholders. The mobile app enables the registration of startups with Ministry of Corporate Affairs and Registrar of Firms, to track the status of the registration application, to file various compliances and other such services.

4) Reduction in costs for Fast-tracking Patent Examination:

The Central Government has conceptualized a fast-track system for patent examination at lower costs which will help to spread awareness regarding Intellectual Property Rights by start-up foundations. The filing of patents, trademarks and designs by innovative startups has been facilitated by the scheme for Startup Intellectual Property Protection.

5) Relaxation Of Norms For Public Procurement:

The eligibility condition whenever a tender is floated by a Government entity or by a Public Sector Unit specifies either “prior experience” or “prior turnover” which restricts the active participation by startups in such tenders. Through the Startup India programme, the Government shall exempt startups from the criteria of “prior experience/ turnover” in order to promote startups. However, there shall be no relaxation in standards of quality or technical parameters.

6) Quick and Simple Exit:

In case of failure of business, reallocation of capital and other resources to more productive avenues is quite a critical task. Hence, a quick, simple and easy process has been proposed to wind-up operations for startups which will facilitate the promotion of entrepreneurs and encourage them to come up with new and innovative ideas without the fear of facing a complicated exit procedure.

7) Providing Financial Support through Fund of Funds:

Government aims to set up a fund in the nature of Fund of Funds implying that the amount will not be invested directly into startups but instead will participate in the capital of SEBI registered Venture Funds. The fund will have a total corpus of INR 10,000 crore over a period 4 years and an initial corpus of INR 2,500 crore.

8) Provision of Credit Guarantee Fund:

Credit guarantee fund would facilitate the flow of Venture Debt from the formal Banking System thereby helping to overcome the failure of startup enterprises in general. This would also help to encourage startup businesses in terms of experimentation and innovation.

9) Exemption from Capital Gains Tax:

Through the mobilization of capital gains that arise from sale of capital assets, the Government aims to promote investments into startups. Keeping this objective in mind, persons who have capital gains during the year shall be exempted if they have invested such capital gains in the Fund of Funds that has been recognized by the Government.

10) Promotion through Tax Exemption for 3 years:

The profits of startup initiatives shall be exempted from income-tax for a period of 3 years in order to stimulate the startup development in India. Such an exemption will encourage the growth of business in various sectors and it will also help the startups to meet their working capital needs.

11) Provision of Tax Exemption on Investments above Fair Market Value:

In the case of startup businesses, wherein the idea is still at the initial stages of development, it is complicated to determine the Fair Market Value of such shares. As per 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 then such excess consideration is taxable. Presently, the investments made by venture capital funds in startups has been exempted from tax and the same shall be applicable to the investment made by incubators.

12) Organization of Startup Fests:

The Government aims to introduce Startup fests at national as well as international level in order to boost the development of startups in India. Such fests would enable the Indian startups to portray their innovative ideas and work to a large audience including potential investors, mentors and other Startups.

13) Atal Innovation Mission:

The Atal Innovation Mission (AIM) which is a part of the Startup India programme will have two main functions which includes promotion of entrepreneurship through Self-Employment and Talent Utilization (SETU) and innovation promotion in order to motivate startups to come up with innovative ideas.

14) Using Private Sector Expertise for Setting up Incubators:

A policy and framework will be created by the Government for setting-up of incubators all over the country in public private partnership (PPP) so as to ensure professional management of Government funded incubators.

15) Establishment of Innovation Centres at National Institutes:

In order to elevate the Research and Development efforts in the nation, the Government aims to set up 31 centres of innovation and entrepreneurship at national institutes comprising of 13 startup centres and 18 Technology Business Incubators.

16) New Research Parks being Set up:

7 new Research Parks are being set up by the Government in certain institutes like IIT Guwahati, IIT Hyderabad, IIT Kanpur, IIT Kharagpur, IISc Bangalore, IIT Gandhinagar and IIT Delhi with an initial investment of INR 100 crore each. These Research Parks shall be modeled on the basis of the Research Park that has been setup at IIT Madras.

17) Promotion of Startups in the Biotechnology Sector:

The Department of Biotechnology In order to promote startups in the sector would along with its Public Sector Undertaking undertake measures like setting up of Biotechnology Research Assistance Council (BIRAC), Bio-incubators, Seed Fund, Equity Funding and other such initiatives.

18) Innovation Focused Programs for Students:

The Government so as to promote research and innovation among young students shall execute measures like Innovation Core program to target school kids , National Initiative for Developing and Harnessing Innovations in order to award INR 10 lakhs to 20 student innovations and Uchhattar Avishkar Yojana for fostering very high quality research amongst IIT students.

19) World Class Incubators :

The Government has been looking forward to make investments in establishing world class incubators and for this, the Government shall identify and select 10 incubators which have the potential to become world class. These incubators shall be the reference models for other incubators that will be set up so as to offer best-in-class services.

CHALLENGES :

Although the Startup India programme and its initiatives are an excellent idea for Indian startups, there are certain loopholes in the scheme and other areas in the implementation mechanism. In addition to this, the start-ups will have to prove that their innovation has significantly improved existing processes in order to be eligible for various schemes and exemptions. Also, there would still be Government interference in the self certification process as there is no self-certification whereby the startups can judge that their "improvement" is "significant". It is also beyond understanding as to why the benefits from such schemes cannot not be extended to all start-ups in the nation depending upon a specific transparent criteria. Apart from this, it is not the Government but the market that should identify innovation whereas the Government should try and place emphasis on creating conditions for innovation.

It is also highly possible that the income tax exemption will be made available only to those vetted by an inter-ministerial panel which is against the intention stated by the Government to remove exemptions in corporation tax and also to close various loopholes in the system. Rather than income tax exemptions, there could be increased focus regarding the simplicity of compliance with tax requirements. Investments in startups have been exempted from long-term capital gains mainly to improve the ease of investing in start-ups which will need to be watched carefully especially against real estate manipulators.

● FINDINGS AND CONCLUSION :

In short, it can be seen that PM Modi's entire Action Plan offers various opportunities for all types of start-ups in India thereby aiming to give a small push to new innovative businesses and provide them assistance in establishing their business. The Government also aims to minimize regulatory barriers in setting up startups despite facing certain major challenges like elimination of unscrupulous entities. Apart

from this, there are some other grave concerns relating to the certification of start-ups' "innovation" by Government authorities.

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