Startup India- A New Vision of Economic Development

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Abstract

Honorable Prime Minister Dr. Narendra Modi announced on 15th August 2015 "Start-up India, Stand up India" to promote Bank Financing for startups and offer incentives to boost entrepreneurship and job creation. Addressing the Nation on the 69th Independence Day, he said, "We are looking at systems for enabling start-ups. We want to enable start-ups to make India No. 1 in this field…. ***Start-up India; Stand up India****."*
The action plan for this initiative is based on the following three pillars:

1. *Simplification and Handholding.*
2. *Funding Support and Incentives.*
3. *Industry-Academia Partnership and Incubation.*

An additional area of focus relating to this initiative is to discard restrictive States Government policies within this domain, such as License Raj, Land Permissions, Foreign Investment Proposals, and Environmental Clearances. It was organized by The Department for promotion of industry and internal trade (DPI&IT).

A startup defined as an entity that is headquartered in India, which was opened less than 10 years ago and has an annual turnover of fewer than 100 crores. Under this initiative, the government has already launched the I-MADE program, to help Indian entrepreneurs build 10 lakh (1 million) mobile app start-ups, and the MUDRA Bank's scheme (Pradhan Mantri Mudra Yojana), an initiative which aims to provide micro-finance, low-interest rate loans to entrepreneurs from low socioeconomic backgrounds. The initial capital of 20,000 crores has been allocated for this scheme.

Key points:-

- *10,000 crore startup funding pool.*
- *Reduction in patent registration fees.*
- *Improved Bankruptcy Code, to ensure a 90-day exit window.*
- *Freedom from mystifying inspections for the first 3 years of operation.*
- *Freedom from Capital Gain Tax for the first 3 years of operation.*
- *Freedom from tax for the first 3 years of operation.*
- *Self-certification compliance.*
- *Young Entrepreneur of The Year Satyam Kumar, Founder, and CEO at Dataoxy*
- *Created an Innovation hub, under the Atal Innovation Mission.*
- *To target 5 lakh schools, and involve 10 lakh children in innovation-related programs.*
- *New schemes to provide IPR protection to startup firms.*
- *Encourage entrepreneurship within the country.*
- *Promote India across the world as a start-up hub.*
- *Built Startup Oasis as Rajasthan Incubation Center*

Highlights of the action plan:-

- **Compliance Regime based on Self-Certification** - Startups shall be allowed to self-certify compliance (through the Startup mobile app) with 9 labor and environment laws. In the case of the labor laws, no inspections will be conducted for a period of 3 years. Startups may be inspected on receipt of a 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.
- **Startup India Hub** - To create a single point of contact for the entire Startup ecosystem and enable knowledge exchange and access to funding.
- **Rolling-out of Mobile App and Portal** - To serve as the single platform for Startups for interacting with Government and Regulatory Institutions for all business needs and information exchange among various stakeholders
- **Legal Support and Fast-tracking Patent Examination at Lower Costs** - Under this scheme, the Central Government shall bear the entire fees of the facilitators for any number of patents, trademarks or designs that a Startup may file, and the Startups shall bear the cost of only the statutory fees payable. Rebate on the filing of application: Startups shall be provided an 80% rebate in filing of patents vis-a-vis other companies. The scheme is being launched initially on a pilot basis for 1 year; based on the experience gained, further steps shall be taken.
- **Relaxed Norms of Public Procurement for Startups** - 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. The Startups will also have to demonstrate the requisite capability to execute the project as per the requirements and should have their own manufacturing facility in India.
- **Faster Exit for Startups** - Startups may be wound up within a period of 90 days from making of an application for winding up on a fast track basis, as per the recently tabled Insolvency and Bankruptcy Bill 2015, which has provisions for voluntary closure of businesses. This process will respect the concept of limited liability.

Progress of Startup India:-

- Between 2016-2019, 15,113 startups were recognized under the Startup India program across 492 districts in 29 states and six Union territories
- 55% of the recognized startups are from Tier 1 cities, 27% from Tier 2 cities and 18% are from Tier 3 cities
- 13,176 recognized startups have reportedly created 1,48,897 jobs with an average of 11 employees per startup
- 45% recognized startups have at least one or more women directors
- 24 Indian states have introduced a startup policy
- The government made 22 regulatory amendments and approved 1,275 patent rebates in the last three years
- More than 288.16K registered users are there on the Startup India hub
- Startup India Hub has addressed 121.83K queries and facilitated 673 startups
- More than 233.27K have registered under the Startup India learning program

Problem with Startup India:- Most first-time entrepreneurs and start-ups need institutional assistance to meet several business requirements like acquiring various registrations, bureaucratic certifications, obtaining institutional finance, labor law compliance and direct tax/service tax rules. This assistance was what the Startup India initiative promised to provide budding ventures in the country, but failed to do so. Launched amidst much fanfare in January 2016, the initiative was aimed at facilitating and enabling entrepreneurship in the country through a supportive start-up-centric environment.

Almost two years on, the program is yet to make good on its lofty promises. Thanks to its bureaucratic operational methods and the lack of a proactive approach, only a handful of start-ups have been included in the program to date.

The extensive list of criteria has also been a major deterrent for startups to register with the program, further adding to the bureaucratic hassles associated with the initiative. Consequently, many worthy and potentially disruptive tech-driven ventures have failed to receive the recognition that they deserve.

A notable absentee in this list is the healthcare sector, which has made great strides over the past two years. About 183 healthcare startups were funded between 2014 and 2016, with a total investment worth USD 600 million poured into the country's growing health-tech industry. Several ventures are working on developing innovative healthcare technologies which can be scaled up for mass applications.

In India's woefully underequipped healthcare infrastructure, the kind of difference such technologies can make cannot be dismissed. And yet, this high-potential, high-growth sector has merited a little mention in the larger Startup India blueprint. Out of the 117 incubation centers announced across the country under the initiative, no incubation program has been initiated for developing healthcare technology.

The government had announced the creation of a mega corpus of INR 10,000 crores, fittingly called the Fund of Funds, to be deployed through 2025 as a part of the Startup India initiative.

The aim was to motivate and mobilize alternative investment funds (AIFs) to invest exclusively in start-ups across categories like the Internet of Things (IoT), artificial intelligence, healthcare, consumer media, fintech, data analytics, cyber security, digital media, machine learning, agri-related businesses, etc.

Managed by the Small Industries Development Bank of India (SIDBI), the fund was to invest in VC firms registered with the SEBI, which would have in turn invested in start-ups under the umbrella of the Fund of Funds.

Despite being the biggest and most promising plan under the initiative, it has had a slow start so far. As of March 2017, SIDBI has selected 17 venture funds, declaring support to them with an amount of INR 623.50 crore.

However, due to a slow and complicated process, this amount has reached only a small number of start-ups, prompting most applicants to look for alternative avenues of raising market capital. This is, amidst last year's funding slump, easier said than done.

Banks also often do not give any loans or working capital to start-ups without any collateral. This makes meeting day-to-day operational costs extremely tough for start-ups, considering that a vast majority of them don't achieve profitability within the first five years.

What needs to change:-

- Increased focus is required on creating a stronger start-up support infrastructure to assist with critical business requirements like obtaining finance, feasibility study, business structuring, marketing, commercializing the technology, and developing business models
- This will require a greater and more efficient collaborative effort from the central and state governments; bureaucratic hurdles need to be actively identified and eliminated, while the fund's deployment process also needs to be streamlined and optimized
- Regulations need to be relaxed, while possible collaborations between government agencies and start-ups need to be explored for better utilization of shared resources
- Private players, too, need to step up and facilitate the implementation in their own capacity to raise the country's innovation quotient
- The Startup India dream can still become a tangible reality; all that it needs is for all stakeholders to wake up and work towards its realization.

The harsh truth, however, is that with no direct support provided by any government agency to entrepreneurs, start-ups are not receiving the benefits that are being claimed. As a result, start-ups are left to navigate the entrepreneurial ocean without a paddle, fending off the sharks and whales of the industry all by themselves.

Source:-

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