



A Review of the Startup India Scheme of the Government of India

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Abstract:

Startup India scheme is a flagship initiative of Government of India under the Ministry of Commerce and Industry. This scheme was first announced by the Honourable Prime Minister Shri Narendra Modi in his speech on 15 August 2015. The startup India scheme aims to build an eco-system for promoting innovation and design, sustainable economic growth and generation of employment opportunities. As an initial step to this initiative, an extensive action plan was launched by the Prime Minister in 2016 which provided for reforms that would help in boosting the start-ups in India. The paper discusses the start-up scheme and also the challenges faced by the Startups in India.

Keywords: Innovation, economic growth, startups, entrepreneurship, eco-system

Introduction:

The Honorable Prime Minister Shri Narendra Modi had stated that, "I see startups, technology and innovation as exciting and effective instruments for India's transformation."

Startups have played an important role in the growth, development and industrialization of many countries across the world. Accordingly, Startup India scheme is all about promoting entrepreneurship in India. With a huge number of young population who are now wanting to become entrepreneurs with the wide and innovative business ideas in their minds, sometimes feel discouraged due to the lack of skills, inadequate government support, lack of funding support, excessive regulatory compliances, etc.

The Indian Government in order to promote entrepreneurs has started implementing various initiatives. In this respect, The Make in India scheme needs a mention. Make in India is a scheme launched by Prime Minister Narendra Modi in 2014 intended to boost the domestic manufacturing sector and also increase the investment into the country.

Similarly, in order to make the country number one in the startup field, Government of India (GoI) has introduced a new campaign called 'Start up India' in 2015 which aims to promote entrepreneurship especially among women and to help startups with funding.

Research Methodology The study is based on the secondary data which has been collected through journals, magazines, newspapers, research papers, websites etc.

Objectives of the Study:

1. To review the startup eco system in India.
2. To study the Startup India scheme.
3. To study the challenges faced by the start up in India.

The Startup Scheme:

As per the Economic Survey 2020-21, the government has recognized around 41,000 startups in India. In 2020, the country had around 12 unicorns despite the economic disruption created by COVID 19. The Economic survey 2021-22 recognized around 61,400 start ups in India, just proving that startups in India have been increasing considerably over the past years, all thanks to the Startup India scheme and the benefits it provides.

According to a recent report by market intelligence provider Tracxn, 14 Indian companies have already turned unicorns in the first half of 2022, India is currently ranked third in overall unicorns created with U.S.A in the first place.

The following are some of the businesses that joined the list of unicorns in 2022.

Mamaearth, Fractal Analytics, Lead School, DealShare, Livspace, Xpressbees, Cred Avenue, Amagi, Physics Wallah, Purple, etc.

The Minister of Commerce and Industry, Mr. Piyush Goyal had stated that Indian start up eco system should aim to raise 75 unicorns in 75 weeks to mark the 75th anniversary of Independence. The country had already witnessed 10 unicorns in the first 53 days of the year but due to reasons like Russia war, recession fears, mass layoff of work force etc. the funding started to decline in the Indian eco system of startups.

India's growth in Startup ecosystem:

As per the NASSCOM tech start up report 2021- Year of Titans, 2021 was the year of unparalleled growth in the Indian tech start up eco system.

Key findings of the report:

- 2250+ tech startups founded.
- 42 unicorns added which is 3.5 times higher than last year.
- \$ 24.1 billion funding raised which is three times higher than last year.
- 10-15% of the tech startups have at least one women founder/ co-founder.
- 29% of all technology startups based outside established hubs.
- Higher corporate and investor participation

Startup India Scheme:**What is a startup?**

A Start up is an entity that is incorporated or registered in India which has been in existence for less than 5 years, with an annual turnover of not more than Rs 25 crore in any preceding financial years and which is involved in the development or innovation or commercialization of new products and services that are driven by technology or intellectual property.

Eligibility for Registration under Startup India Scheme:

1. The company should be a private limited company or a LLP.
2. It should have obtained approval from the Department of Industrial Policy and Promotion.
3. It should have a recommendation letter by an incubation.
4. It must be involved in providing or developing innovative products or services.
5. It must be in existence for less than 10 years..
6. The turnover of the company should not be more than Rs 25 crores
7. It should not be the result of splitting up or reconstruction of a business already in existence.

In order to meet the objectives of the Startup India scheme, the Government of India has announced an action plan that covers all the areas of the startup eco system.

The Action Plan is divided in 3 areas:

- Simplification and Handholding
- Funding Support and Incentives
- Industry-Academia Partnership and Incubation.

Key pointers of the Startup India scheme:**1. Compliance regime based on self-certification:**

The objective of this is to reduce the burden of compliances on the startups thereby enable them to focus on their business. This self-certification will apply to laws like payment of gratuity, contract labor, employees provident fund, water and air pollution acts.

2. Start Up India hub:

The objective of this is to create a single point of contact for the entire eco system of startups thereby enables knowledge exchange and access to funding.

3. Introduction of mobile App and portal:

Through the mobile app, startups can speed up the process of filing registration, view the registration status, filing for compliances, obtaining information on registration, approvals, apply for various schemes under the Action plan, collaborate with various partners, etc.

4. Fast tracking of patent examination :

The objective is to fast track the patent application cases, set up a panel of facilitators to assist in filing of patent applications, provide rebate on filing application.

5. Relaxed norms of public procurement for startups.

In order to provide an equal opportunity and status to the startups in the manufacturing sector in comparison to the establishes players, the Government shall exempt startups (in the manufacturing sector) from the criteria of "prior experience/ turnover" without any relaxation in quality standards or technical parameters.

6. Faster exit route:

It is not that each startup will succeed; it is possible that the startups might fail. In order to make the exit easy, the government has even simplified the winding up process of the startups which would enable them to reallocate the capital and the resources invested earlier to get reinvested in some other productive areas.

Other points:

- 2500 Crore Funds every year for Start Up India Campaign
- Credit Guarantee Fund - 500 Crore/Year
- Total of 10000 Crore Funds for Next 4 years
- No Government Inspection for 3 Years
- special Scheme for Women Entrepreneurship
- Atal Innovative Mission provides for National Recognition Award to be given for best innovative startup and Seed Capital Fund for startup.

Challenges faced by the Startups:**1. Lack of adequate funds:**

Funding is a crucial aspect for the startups. Finance is needed in the very initial phase for developing the product, hiring the right personnel, improvement in technology, branding, marketing, etc. The requirement increases as the business grows. In India, the world of funding is still complex and challenging as there is a lack of risk taking investors.

2. Regulations:

A number of regulatory compliances have to be made by the startups especially during the initial phases can make the founders focus less on their core business. The startup Scheme has eased out on a few regulations, but still it has not ended it all.

3. Passing the test of Innovation:

The scheme provides that every start up needs to clear the test of innovation wherein The Inter Ministerial Board will check whether the startup is innovative and unique. Most Start up may fail this test as every product/service may have different commercial values. The startups have the capability of employment generation, creation of new products and IPR, then why the IMB will decide on the viability of the startups?

The definition of the startup provided by the Government provides that those products/services that cannot be commercialized are not included in the definition of startups. This very point excludes many startups.

4. Limited mentorship:

Many of the startups have excellent business ideas in their minds but do not have the necessary business and market expertise and thus they fail in the execution and implementation. Lack of mentoring can be one of the unaddressed challenges of the startups.

5. Fewer taxation benefits:

The startup India scheme has provided tax benefits for developing patents. Patent creation takes a lot of time. No tax holidays have provided to the startups in their initial years.

Conclusion:

No doubt, the startup India scheme has the capability to encourage Start up eco system in the country. Greater focus is required to create an infrastructure which will address issues like ease in obtaining approvals, business structuring, improving technology, etc.

The bureaucratic hurdles need to be overcome through a greater collaborative effort from the Central and State governments. Involvement of private sector in the developing the startup ecosystem can also help. In fact, all the stakeholders need to make a joint effort in making India number one in the startup area.

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