



“A STUDY ON STARTUPS IN INDIA AND STARTUP SCHEMES PROVIDED BY INDIAN GOVERNMENT”

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ABSTRACT

Startup is an entrepreneurial venture searching for enough funding to get off the ground. The first and foremost challenge of any startup company is to prove the validity of its potential to get lenders and/or investors. However the startups every time considered as the riskier proposition to invest and the potential lenders/investors have various means to determine their returns.

India is at 3rd place behind US and Britain in terms of the number of startups. It can see that nearly 4,400 technology startups exist in India and the number is expected to reach over 13,000 by the end of 2021. Furthermore, India has to boast about its own billion dollar club. This includes startups like Flipkart, Paytm, Zomato, Snapdeal, Ola, InMobi, Hike, MuSigma, and Quikr. Fintech startup MobiKwik too looks to join the unicorn club with the next \$100 Mn funding raise.

Start-ups created 65,000 new jobs in 2014 and by 2021, the number is expected to touch 250,000 according to the NASSCOM Start-up Report 2015, and as of now, that is driven mostly by private sector initiative. If the government succeeds in establishing a pro-active start-up environment as intended, then there is lot of scope for new job creation that mostly far greater than NASSCOM's projections.

Key Words: *Startup India Schemes, Unicorn Startup, Startup Ranking, Registration & Application process for Startup Company in India.*

1. INTRODUCTION

A company is in the first stage of its operations often known as a Startup, often being financed by its entrepreneurial founders during the initial stage. It denotes to a young company found by one or group of entrepreneurs in order to develop a unique product or service and bring it to market. One of the foremost tasks of the startups is to raise substantial amount of fund to further develop the product or service they providing. Startups have no history and almost no profit to show. To provide funds and facilitates to startups, Indian government initiated “Startup India Scheme” and its primary objective is to promote startup, generate employment and create wealth that launched on 16th January, 2016 by Prime Minister Narendra Modi under the Ministry of Commerce and Industry (Department for Promotion of Industry and Internal Trade) at Vigyan Bhavan, New Delhi. During the launch Nirmala Sitharaman, Finance Minister of India stated that “Entrepreneurship is no longer being condemned as jugaad”. Currently more than 4400 startups existing in India and it is expected that the number is to reach over 13000 by the end of 2021.

Traditionally, the sources of funds for the startups businesses includes business loans from banks or credit unions, grants made by non-profit organizations and state government and government-sponsored small business administration loans from local banks. Such that in early stages, startups may have very little or nil revenue generation as they have an idea to develop, test and market. Some of the other sources are incubators that are often associated with business schools and nonprofit organisations that provide mentoring and seed funding to them.

Likewise, angel investors and venture capitalists seek promising startups actively to bankroll in return for their part of stake in the company till they get off the ground.

2. OBJECTIVES OF THE STUDY

- To understand the concept Startups in India
- To extract various Startup Schemes providing by Indian Government
- To know the position of India in analyzing Unicorn Startups

3. STARTUP INDIA STANDUP INDIA

The global business community accepted India as one of the most influencive destinations for investments. It has discovered India’s potential for innovation and creativity. The last three years India is significantly scaling up in international investments in start-ups valuations, exceeding \$ 1 billion in some cases, a phenomenon that would have been unbelievable in just five years ago.

Prime Minister Narendra Modi recognized this fact and started working on it and understands that it is the right time to bring in the government to define an effective policy framework, followed by necessary tax and financial incentives and nourish the creativity and innovative potential among youth.

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government succeeds in establishing a pro-active start-up environment as intended, then there is lot of scope for new job creation that mostly far greater than NASSCOM's projections.

India is also at 3rd place behind US and Britain in terms of the number of startups. It can see that nearly 4,400 technology startups exist in India and the number is expected to reach over 13,000 by the end of 2021. Furthermore, India has to boast about its own billion dollar club. This includes startups like Flipkart, Paytm, Zomato, Snapdeal, Ola, InMobi, Hike, MuSigma, and Quikr. Fintech startup MobiKwik too looks to join the unicorn club with the next \$100 Mn funding raise.

4. UNICORN STARTUPS

In the business and financial worlds, a unicorn startup refers to a startup company with a value of over \$1 billion. As per the latest reports, China is 1st position with 206 Chinese firms out of 494 ultra-valuable startups worldwide known as Unicorns. This makes China with the largest number of unicorns in the world. China is also the home of world's 3rd most valuable startup unicorns i.e. Alibaba, ByteDance and ride hailing giant Didi Chuxing. All of these 3 unicorns combined value is \$280 billion. US stand at 2nd position with 203 unicorn companies. India is nowhere near China or US, in spite China being our neighboring country, India have 10 times less unicorn startups.

5. STARTUP RANKINGS

The first ever startup state rankings were declared on December 2018 by the Department of Industry and Internal Trade based on the criteria of policy, incubation hubs, scaling innovation, procurement, regulatory change, communication, seed innovation, North-Eastern states and hill states. Among various states some of the states secured their places in different aspects as follows:

- **Top performers:** Kerala, Karnataka, Odisha and Rajasthan
- **Best performers:** Gujarat
- **Leader:** Telangana State, Andhra Pradesh, Bihar, Madhya Pradesh and Chhattisgarh
- **Aspiring Leaders:** Jharkhand, Uttar Pradesh, Haryana, Himachal Pradesh and West Bengal
- **Emerging states:** Delhi, Goa, Assam, Maharashtra, Punjab, Tamil Nadu, Jammu & Kashmir and Uttarakhand.
- **Beginners:** Manipur, Mizoram, Nagaland, Chandigarh, Puducherry, Sikkim and Tripura

6. STARTUP INDIA SCHEME

Startup India is an initiation of Indian Government. The campaign was firstly inaugurated by Prime Minister Narendra Modi during his address from the Red Fort, New Delhi on 15th August 2015. The foremost action plan of the initiative stand on 3 pillars that are:

- i. Simplification and Handholding
- ii. Funding Support and Provide Incentives
- iii. Industry-Academia Partnership and Incubation.

The primary objective of this initiation is to promote startups, create wealth and generate employment. Such that the “Startup India Scheme” was officially launched on 16th January, 2016 by Prime Minister Narendra Modi from Vigyan Bhawan, New Delhi, under the Ministry of Commerce and Industry (Department for Industry and Internal Trade Promotion). The key features of this scheme is to stand-out (a) New-business initiators are granted to be a tax-free for three years, and (b) The government provide fund of Rs. 2500 crore for startups and also credit guarantee fund of Rs. 500 crore.

Alliances to support Startup India Scheme

The government played a vital role in setting up its initiation towards facilitating startups. The Ministry of Human Resource Development and the Department of Science and Technology made an agreement in an initiative to set up over 75 startups that support hubs in the National Institutes of Technology (NIT), the Indian Institutes of Information Technology (IIITs), the National Institutes of Pharmaceutical Education and Research (NIPERs) and the Indian Institutes of Science Education and Research (IISERs). As per the statements given by RBI it will take certain steps to help in improving the ‘ease of doing businesses’ and contribute to an ecosystem that is helpful for the growth of startup businesses in the country.

As to provide initial support to the scheme, various other countries also invested in India. It is observed that SoftBank that is a Japan based bank has invested US\$ 2 billion into Indian Startups and the Japanese company has pledged to invest US\$ 10 billion. Google announced to launch a startup based on the top votes among which top three startups will be allowed to join the next Google Launchpad Week, and the winner in final could win an amount of US\$ 100,000 in Google cloud credits system. Oracle also declared that it will establish 9 incubation centers in Bengaluru, Hyderabad, Mumbai, Noida, Chennai, Gurgaon, Pune, Trivandrum and Vijayawada on 12th February 2016.

As per “Industry-Academia Partnership and Incubation”, to focus and support on Startup India, the Union Ministry of HRD has announced plans for the development of “Research Parks” to be created in partnership with higher education providers across India. As an initial investment Rs. 100 crore has been set aside for the program that aims to provide students with access to funds and mentorship for startups.

After the launch of startup scheme, the government also launched the Innovation in Mobile App Development Ecosystem (I-MADE) program in Feb 2016 to help entrepreneurs build 10 lakh (1 Million) mobile app startups, and the MUDRA Bank’s Scheme also initiated towards providing micro-finance, low-interest rate loans to entrepreneurs from low socioeconomic backgrounds. Initial Capital of Rs. 20,000 crore has been allocated for this scheme in the year 2018.

7. ELIGIBILITY FOR REGISTRATION AS STARTUP COMPANY

- The formed company must be private limited or partnership firm or a limited liability partnership company
- The company must not older than 10 years and total turnover of a company should not exceed Rs.100 crores.

- The company must be approved by Department of Industrial Policy and promotion (DIPP)
- The company must obtain a patron guarantee from Indian Patent and Trademark Office
- It must have a recommendation letter by incubation.
- The company must provide innovative products or services
- Accelerators, Incubation fund, Angel fund, Equity fund and Angel network must be registered with SEBI

8. APPLICATION PROCESS UNDER STARTUP INDIA SCHEME

Step 1: Log in to the portal of Startup India <https://Startupindia.gov.in/registration.php>

Step 2: Enter Legal Entity

Step 3: Enter Registration/Incorporation No.

Step 4: Enter Registration/Incorporation Date

Step 5: Enter PAN number (optional)

Step 6: Enter full Address

Step 7: Enter details of Authorized Representative

Step 8: Enter Directors and Partners details

Step 9: Upload the essential documents and Self-Certification under prescribed way

Step 10: File the Registration/Incorporation certificate of the company

9. FEATURES OR BENEFITS OF STARTUP INDIA SCHEME

- Reduction in patent registration fee
- Relief from mystifying inspections for first 3 years of operation
- Improved Bankruptcy Code, to ensure 90 days exit window
- Freedom for 3 years of operation from Capital Gain Tax.
- Exemptions from tax for first 3 years of operations
- Self-certification compliance
- Under the Atal Innovation Mission it is created an innovation hub.
- 10,000 crore funding pool for startups
- Targeting 5 lakh schools, and involve 10 lakh children in innovation-related programmes
- To provide IPR protection to startup firms new schemes were introduced
- Encourage entrepreneurship within the country
- Built startup Oasis as Rajasthan Incubation Center
- Promote India around the world as a startup hub.

10. THE PROBLEM AREAS:

- The absence of specific start-up laws and options for exit.
- Complexity in compliance laws that were framed for traditional businesses but not as per start-ups and so as, new laws is to frame keeping in mind rapidly evolving technology.

- Start-up funding is based on risk taking and ability to understand commercial potential of the proposed business. Lack of dedicated start-up capital funding without guarantors is a major hurdle to anyone.
- Most start-ups fail either due to lack of market acceptance, lack of suitable mentoring, market entry timing, or lack of adequate funding. In any case, the ratio of failures compared to success is skewed.
- Lack of government-sponsored physical incubators along with the latest technology
- Lack of government experience at the Centre and state level in supporting tech-based entrepreneurs is yet another problem.
- A lot of talent exists in smaller towns and villages for basic need based innovation, as well as social innovation. Presently, there is a lack of eco-system; therefore, Stand-up India has to succeed, it is important for the government to extend this new initiative at the grassroots level.

11. LIST OF STARTUP SCHEMES BY THE INDIAN GOVERNMENT

Under Ministry Of Electronics and Information Technology (MeitY)

1. Support for International Patent Protection in Electronics & Information Technology (SIP-EIT)
2. Multiplier Grants Scheme (MGS)
3. Software Technology Park (STP) Scheme
4. Electronic Development Fund (EDF) Policy
5. Modified Special Incentive Package Scheme (M-SIPS)
6. Scheme to Support IPR Awareness Seminars/Workshops in E&IT Sector

Under Ministry of Agriculture and Farmers Welfare

7. NewGen Innovation and Entrepreneurship Development Centre (NewGen IEDC)
8. The Venture Capital Assistance Scheme

Under Ministry Of Micro, Small and Medium Enterprises (MSME)

9. Credit Guarantee
10. Performance & Credit Rating Scheme
11. Raw Material Assistance
12. Revamped Scheme of Fund for Regeneration of Traditional
13. Single Point Registration Scheme (SPRS)
14. Aspire – Scheme for promotion of innovation, entrepreneurship, and agro-industry
15. Infrastructure Development Scheme
16. MSME Market Development Assistance
17. National Awards (Individual MSEs)
18. Coir Udyami Yojana
19. International Cooperation (IC) Scheme
20. Credit Linked Capital Subsidy for Technology Upgradation
21. Bank Credit Facilitation Scheme

Under NITI Aayog

22. Atal Incubation Centres (AIC)
23. Atal Tinkering Laboratories (ATL)
24. Scale-up Support to Establishing Incubation Centres

Under Ministry of Skill Development and Entrepreneurship

25. Udaan Training Programme for Unemployed Youth of J&K

Under Ministry of Heavy Industries & Public Enterprises

26. Enhancement of Competitiveness in the Indian Capital Goods Sector

Under Ministry of New and Renewable Energy (MNRE)

27. National Clean Energy Fund (NCEF) Refinance
28. IREDA Scheme for Discounting Energy Bills
29. Bridge Loan against MNRE Capital Subsidy
30. Bridge Loan against Generation-Based Incentive (GBI) Claims
31. Loan for Rooftop Solar PV Power Projects
32. Credit Enhancement Guarantee Scheme

Under Schemes by Public Sector Enterprises

33. Dairy Entrepreneurship Development Scheme
34. 4E (End to End Energy Efficiency)
35. Pradhan Mantri Mudra Yojana (PMMY)
36. Stand Up India
37. Sustainable Finance Scheme
38. SIDBI Make in India Soft Loan Fund for Micro Small and Medium Enterprises (SMILE)
39. Startup Assistance Scheme
40. Growth Capital and Equity Assistance

Under Ministry of Science & Technology

41. Assistance to Professional Bodies & Seminars/Symposia
42. Ayurvedic Biology Program
43. Industry Relevant R&D
44. High Risk-High Reward Research
45. Technology Development Programme (TDP)
46. National Science & Technology Management Information System (NSTMIS)
47. Biotechnology Industry Partnership Programme (BIPP)
48. Industry Innovation Programme on Medical Electronics (IIPME)
49. Extra Mural Research Funding
50. SPARSH (Social Innovation programme for Products: Affordable & Relevant to Societal Health)

51. Promoting Innovations in Individuals, Startups and MSMEs (PRISM)

52. Science and Technology of Yoga and Meditation (SATYAM)

53. Rapid Grant for Young Investigator (RGYI)

54. Biotechnology Ignition Grant (BIG)

12. CONCLUSION

India is a beautiful and attractive country. There are lots to see, and lots of opportunities to establish the business network. It will never be an excuse to miss out on new opportunities. There are endless money-making opportunities in current scenario. Startups can have a high success rate in India, where people are very clear and knowledgeable when it comes to business.

Indians are not scared to try new things. Even the startup names are quite disrupting. Some of the top Indian startups are quite ordinary. When it comes to create the most profitable business in India, one must need to think outside of the box. Startup ideas must be unique that always attracts customers and brings forth profit.

Because of Startups failure rates are quite high that would investors consider the team's idea and as well as experience. Angel investors don't even invest their money as they cannot afford to lose. Funding can be done only by having complete faith in business ability and believe that idea will go far. Investors need to trust the people around them and have confidence that they will take your business in the right direction.

13. SUGGESTIONS

Backbone is important for an ecosystem to develop along with mentors and subject matter experts that can assist first time entrepreneurs to handle the required paper work for establishing the business and guide them to the next level of funding.

The internet is a big place, to generate startup ideas in India; you need to find tons of information on what you can do. You need to find a gap in the market and at the same time, do not be afraid to do something that you have not seen before. A brand new idea will always leads to success. People won't earn much success from the beliefs that everybody has.

Most of all successful entrepreneurs have tasted several failures before achieving their best. Therefore, the govt. must lookout in failure and ensures that an entrepreneur must encouraged to try again and not penalized for failing. The government needs to bring state governments on board to ensure that bureaucrats are trained to extend full support to young entrepreneurs and ensure they contribute to growing their business rather than act as a hindrance. The government has to identify officials at the Centre and state level, in coordination with state governments, and initiate an extensive and ongoing training program that will prepare these officials to be entrepreneur friendly and actually develop the skills required to provide support, as needed.

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