

Startup India Initiative: Action Plan and Future Prospects

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ABSTRACT

The Indian Government has framed so many policies to promote entrepreneur development in the Country. Startup India is the current government initiative for the same purpose. Startup India is intended to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design. With this scheme, Government hopes to accelerate spreading of the Startup movement from Information Technology sector to all the industrial sectors including agriculture, manufacturing, social sector, healthcare, education etc. Government also desires to promote this scheme from urban areas to semi-urban and rural areas. Nor it is necessary for Startup to work on technology, or take venture funding, or have some sort of 'exit', the only essential thing is growth. Everything else we associate with startups follows from growth. The present study aims to highlight the action plan and future prospects of Startup India in current Indian scenario.

Keywords: Startup India, Action Plan, Future Prospects, Entrepreneur.

INTRODUCTION

Startup (only for the purpose of Government schemes) means an entity, incorporated or registered in India not prior to five years, with annual turnover not exceeding Rs. 25 crore in any preceding financial year, working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property. Such entity is not formed by splitting up, or reconstruction, of a business already in existence. An entity shall cease to be a Startup if its turnover for the previous financial years has exceeded Rs. 25 crore or it has completed 5 years from the date of incorporation or registration. A Startup shall be eligible for tax benefits only after it has obtained certification from the Inter-Ministerial Board, setup for such purpose.

Startup India is a flagship initiative of the Government of India, intended to catalyze startup culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India. Launched on 16th January, 2016, the Startup India Initiative has rolled out several programs with the objective of supporting entrepreneurs, building a robust startup ecosystem and transforming India into a country of job creators instead of job seekers. Start up India is a revolutionary scheme that provides a way to success for deserving entrepreneurs having innovative ideas and more capability but due to financial problems or other similar issues is unable to do so. It was under this background it is aimed to find out the action plan involved in the Startup India initiative and coming with future prospects.

OBJECTIVES OF THE STUDY

The main objectives of the study are:

- To explore the action plan of the Startup India initiative.
- To find out the future prospects of the Startup India initiative.

METHODOLOGY

The research design of the study is exploratory in nature. This study attempts to explain aspects related to the action plan of the Startup India initiative and its future prospects. The information gathered for the purpose of this study is adopted from the published records of the books, business newspapers and websites and that information was further used to discuss the objectives considered in the study.

Discussion

(A) The Action Plan of the Startup India Initiative

The Action Plan that addresses all aspects of the Startup ecosystem is very important to meet the objectives of the initiative. With the Action Plan the Government hopes to accelerate spreading of the Startup movement from digital or technology sector to a wide array of sectors including agriculture, manufacturing, social sector, healthcare, education, etc. Government also desires to promote this scheme from urban areas to semi-urban and rural areas. Under the Startup India Initiative, the Action Plan i.e. key pillars of support for Startups are:

- (a) **Simplification and Handholding:** This is related with easier compliance, easier exit process for failed startups, legal support, fast tracking of patent applications and a website to reduce information asymmetry. It includes:
- (i) *Compliance Regime based on Self-certification* to reduce the regulatory burden on Startups thereby allowing them to focus on their core business and keep compliance cost low.
 - (ii) *Startup India Hub* to create a single point of contact for the entire Startup ecosystem and enable knowledge exchange and access to funding.
 - (iii) *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.
 - (iv) *Legal Support and Fast-tracking Patent Examination at Lower Costs* to promote awareness and adoption of IPRs by Startups and facilitate them in protecting and commercializing the IPRs by providing access to high quality Intellectual Property services and resources, including fast-track examination of patent applications and rebate in fees.
 - (v) *Relaxed Norms of Public Procurement for Startup* to provide an equal platform to Startups (in the manufacturing sector) vis-à-vis the experienced entrepreneurs/ companies in public procurement.
 - (vi) *Faster Exit for Startup* to make it easier for Startups to wind up operations.
- (b) **Funding Support and Incentives:** This is concerned with 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. It involves:
- (i) *Providing Funding Support through a Fund of Funds with a Corpus of Rs. 10,000 crore* to provide funding support for development and growth of innovation driven enterprises.
 - (ii) *Credit Guarantee Fund for Startup* to catalyze entrepreneurship by providing credit to innovators across all sections of society.
 - (iii) *Tax Exemption on Capital Gain* to promote investments into Startups by mobilizing the capital gains arising from sale of capital assets.
 - (iv) *Tax Exemption to Startups for 3 year* to promote the growth of Startups and address working capital requirements.
 - (v) *Tax Exemption on Investments above Fair Market Value* To encourage seed-capital investment in Startups.
- (c) **Industry-Academia Partnership and Incubation:** This is for creation of numerous incubators and innovation labs, events, competitions and grants. It includes:
- (i) *Organizing Startup Fests for Showcasing Innovation and Providing a Collaboration Platform* to galvanize the Startup ecosystem and to provide national and international visibility to the Startup ecosystem in India.
 - (ii) *Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program* to serve as a platform for promotion of world-class Innovation Hubs, Grand Challenges, Startup businesses and other self-employment activities, particularly in technology driven areas.
 - (iii) *Harnessing Private Sector Expertise for Incubator Set up* to ensure professional management of Government sponsored / funded incubators, Government will create a policy and framework for setting-up of incubators across the country in public private partnership.
 - (iv) *Building Innovation Centres at National Institutes* to propel successful innovation through augmentation of incubation and R&D efforts.

- (v) *Setting up of 7 New Research Parks Modeled on the Research Park Setup at IIT Madras* to propel successful innovation through incubation and joint R&D efforts between academia and industry.
- (vi) *Promoting Startups in the Biotechnology Sector* to foster and facilitate bio-entrepreneurship.
- (vii) *Launching of Innovation Focused Programs for Students* to foster a culture of innovation in the field of Science and Technology amongst students.
- (viii) *Annual Incubator Grand Challenge* to support creation of successful world class incubators in India.

(B) The Future Prospects of the Startup India Initiative

The future prospects of the Startup India initiative include:

(i) **Raising of funds for entrepreneur or innovator:** An entrepreneur can bear the risk of a new venture for a significant chance for profit. An entrepreneur also act as an innovator who markets his innovation by developing new goods or processes that the market demands and are not currently being supplied. So, entrepreneurs struggle for the capital to start a new business of Startup. Being there are many sources of funds, it is important for an entrepreneur to fully explore all financing options. These sources include personal savings, cash receipts from friends and family, borrowings from commercial banks and secured loan from other lending institutions. If an entrepreneur has goodwill, it is also relatively easy to get a personal loan from a bank. These loans tend to be short-term and not as large as business loans. Venture investors are a major source of funding for Startups that have a strong potential for growth. However, venture investors insist on retaining part ownership in new businesses that they fund. Startup India initiative offers to encourage small and medium-sized businesses.

(ii) **Reduction in tax rate:** Government uses taxes to raise money. But tax increases the cost of the activity taxed, discouraging it somewhat. Therefore, policymakers need to balance the goals of raising revenue and promoting entrepreneurship. Corporate tax rate reductions, tax credits for investment and tax deductions for businesses are all proven methods for encouraging business growth.

(iii) **Effective entrepreneurship development programme:** India is one of the biggest economies of the world. It has enormous opportunities for entrepreneurs and innovators. So, an effective entrepreneurship development programme is required to promote skills and entrepreneurial qualities among individuals in India.

(iv) **Country's economic policy environment:** The study of entrepreneurship has relevance today, not only because it helps entrepreneurs to better fulfill their personal needs but because of the economic contribution of the new ventures. Innovation is the essence of Startup. More than increasing national income by creating new jobs, entrepreneurship acts as a positive force in economic growth by serving as the bridge between innovation and market place. The country's economic policy environment must be favourable for organizations to achieve efficiencies in today's global market. It should enable the entrepreneurs to provide a magical touch to an organization, whether in public or private or joint sector, in achieving speed, flexibility, innovativeness and a strong sense of self-determination. They bring a new vision to the forefront of economic growth of a country.

CONCLUSION

Startup India is a flagship initiative of the Government of India, intended to build a strong ecosystem for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design. It has been concluded that a system is required through Startup India initiatives which would not only promote entrepreneurs particularly in the manufacturing sector but also the micro units would be able to grow faster as small and medium units. If this objective is achieved, the goal of job realization through self-employment would be complete as self-employment is the answer to providing jobs to the huge proportion of population in the economically active age group. This process would be tracked fast by the action plan, well supported by the Startup India initiative, which would facilitate availability of skilled manpower as sometimes entrepreneurs complain about skill mismatch. Many business starts

with a dream, but it takes more than just a dream for them to grow into successful business including the tenacity to overcome the many challenges facing startup today. Startups take timed effort, and energy. Funding is a major concern for Start the small businesses. Provided that startups are emerging as major job creator, both the Central and State Governments need to put in place appropriate policy framework for the startups. Both the governments have to make joint efforts to make the policy successful and to make the status of India as job creators instead of job seekers.

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