

## Startup India: Even Diamonds start as Coal

**Ms. Rashmika Modi-** Student BBA Semester V, Batch: 2014-17, Rai Business School, Rai University, Ahmadabad, Gujarat, India.

**Email:** modirashmika1997@gmail.com

**Ms. Nisha Harkhani-** Student BBA Semester V, Batch: 2014-17, Rai Business School, Rai University, Ahmadabad, Gujarat, India.

**Email:** harkhaninisha2925@gmail.com

**Ms. Gopi Radadiya-** Student BBA Semester V, Batch: 2014-17, Rai Business School, Rai University, Ahmadabad, Gujarat, India.

**Email:** radadiyagopi115@gmail.com

**Mr. Jignesh N. Vidani-** Assistant Professor, Rai Business School, Rai University, Ahmadabad, Gujarat, India.

**Email:** jignesh.vidani@live.com

**Abstract:** The Government of India is launching the “Start-up India,” program on January 16th, 2016 in New Delhi. The event is aimed at celebrating the entrepreneurship body of country’s youth and will be attended by CEOs and founders of top Start-ups (over 1500) from across the country. The closing session will be addressed by the Honorable Prime Minister of India, Shri Narendra Modi who shall formally launch the creativity and unveil the Start-up Action Plan.

A startup is a dream of almost all the youngsters in the country. It is built with dream, innovation and hard work. Thus before you accept or reject a job offer in a startup you will have to cross check your decision with facts. Startups are not easy to work in with more facilities, instable financial states and making plans but they give you the perfect environment to learn and rise with the company.

The event shall be a non-stop day long global workshop on Start-up Entrepreneurship and shall include panel discussions on topics such as “Unleashing Entrepreneurship and Innovation: What do Indian Startups Need to Grow and Prosper”, “Celebrating Women: Stories of Innovative Women Entrepreneurs”, “How digitization will change India’s future”, “Making Indian Healthcare Leapfrog” and “Financial inclusion is within reach”.

**Key Words:** Startup India, Standup India, Entrepreneurship, Innovation, Women Entrepreneurs.

### Introduction of Startup India:

Indian Startups is a startup ecosystem bringing together entrepreneurs, investors and partners throughout India and across the globe to help develop, promote and empower new and growing startups.

In the late 1990s, the most common type of Startup Company was a dotcom. Venture capital was very easy to obtain during that time due to frenzy among investors to risk on the emergence of these new types of businesses.

However, there were a handful of internet startups that did survive when the dotcom bubble burst. Internet bookseller Amazon.com and internet auction portal eBay are examples of such companies.

### What does ‘Startup’ actually mean?:

A startup is a company that is in the first stage of its operations. These companies are often primarily bank rolled by their entrepreneurial founders as they effort to capitalize on developing a product or service for which they believe there is a demand. Due to limited revenue or high costs, most of these

small scale operations are not viable in the long term without additional funding from venture capitalists.

### Concept of startup funding:

India is observing a startup revolution and to capitalize the possible of India's innovators and entrepreneurs a vibrant financial ecosystem is important. Getting funding is a crucial element to kick off any start-up; there are various methods of funding that are popular in the start-up community nowadays, including traditional angel, VC and again created crowd funding etc.

This one day concentrated workshop will help entrepreneurs and startup to understand the best ways of getting funded, deal structuring and term sheet negotiation and documentation. You would hear and interact with industry specialists, startup investors and incubators to gain insight on how to build a successful business.

### Buzzing word "Startup India":

Startup India operation is based on an action plan aimed at promoting bank financing for start-up ventures to boost entrepreneurship and encourage startups with jobs creation. The operation was first announced by the Prime Minister in his 15th August, address from the Red Fort. It is focused on to maximum role of States in policy area and to get free of "license raj" and limitations like in land permissions, foreign investment proposal, and environmental clearances. It was organized by Department of Industrial Policy and Promotion (DIPP). A startup is an entity that is headquartered in India which was opened less than five years ago and have an annual turnover less than 25 crore (US\$3.7 million). The government has already launched PMMY, the MUDRA Bank a new institution set up for development and refinancing activities relating to micro units with a refinance Fund of 200 billion (US\$2.9 billion).

The Standup India creativity is also aimed at promoting entrepreneurship among SCs/STs, women communities.

### Research Design:

Research Problem	:	To study how startup India scheme of government will work and how policies will be implemented
Period of Research	:	15 days
Type of analysis	:	Secondary
Data Collection Method	:	Internet, Newspapers, Magazines and Videos
Type of Research	:	Descriptive Research

### Eligibility criteria for Startup India:

A) Startup Entity/Business must be registered as

- Private Limited Company (under The Companies Act, 2013) or
- Limited Liability Partnership (under The LLP Act, 2008) or
- Registered Partnership Firm (under The Indian Partnership Act, 1932)

B) Age of Company:

- Company must not be older than 5 years.
- It means on the date of application for Startup India scheme, the startup must be registered for less than 5 years.
- Any company registered before the date of announcement of the scheme is also suitable for the Scheme.

C) Annual Turnover of Start-ups:

- Not more than Rs. 25 crore in any earlier financial years.

D) Highly Innovative Product or Service:

- Startup must be working towards innovation, development of new products, processes or services driven by technology or rational property.

**Key Points:**

- Single Window Clearance even with the help of a mobile application
- 10,000 crore fund of funds
- 80% reduction in patent registration fee
- Modified and more friendly Bankruptcy Code to ensure 90-day exit window
- Freedom from mystifying inspections for 3 years
- Freedom from Capital Gain Tax for 3 years
- Freedom from tax in profits for 3 years
- Eliminating red tape
- Self-certification compliance
- Innovation hub under Atal Innovation Mission
- Starting with 5 lakh schools to target 10 lakh children for innovation programme
- new schemes to provide IPR protection to start-ups and new firms

**Launching of the Programme:**

The event was installed on 16 January 2016 by the finance minister Arun Jaitley. Among the attendees were around 40 top CEOs and startup founders and investors from Silicon Valley as special guests including Masayoshi Son, CEO of Softbank, Kunal Bahl, founder Snap deal, Ola founder Bhavish Aggarwal, Paytm founder Vijay Shekhar Sharma, Travis Kalanick, founder of Uber, Adam Nuemann, CEO of WeWork, Sachin Bansal, founder of Flipkart and others.

**Government's role in this programme:**

The Ministry of Human Resource Development and the Department of Science and Technology have agreed to partner in an creativity to set up over 75 such startup support centers in the National Institutes of Technology (NITs), the Indian Institutes of Information Technology (IIITs), the Indian Institutes of Science Education and Research (IISERs) and National Institutes of Pharmaceutical Education and Research (NIPERs).

The Reserve Bank of India said it will take steps to help improve the 'ease of doing businesses in the country and contribute to an ecosystem that is helpful for the growth of start-up businesses.

**Investments generated under this programme:**

Soft Bank, which is head quartered in Japan, has invested \$2 billion into Indian startups. The Japanese firm had pledged the total investments at \$10 billion.

Google declared to launch a startup, based on the highest votes in which the top three startups will be allowed to join the next Google Launch pad Week, and the final winner could win an amount of \$100,000 in Google cloud credits.

**States assessment under this programme:**

Southern States of the nation have shown great performance, like Karnataka, Kerala, Andhra Pradesh and Telangana which have results better than the rest of the country in terms of their policies implementations for supporting startups.

Their focus has been on improving infrastructure, especially in the Tier-II cities. Bengaluru , a metro city of Karnataka, is known as the Silicon Valley of India. Kerala is well known for the government's startup policy, "*Kerala IT Mission*", which focus on fetching 50 billion (US\$740 million) in investments for the State's startup ecosystem.

Andhra Pradesh has allocated a 17,000-sq.ft. Technological Research and Innovation Park as a Research and Development laboratory. It has also created a fund called "*Initial Innovation Fund*" of 100 crore (US\$15 million) for entrepreneurs.

The government of Madhya Pradesh has collaborated with the Small Industries Development Bank of India (SIDBI) to create a fund of 200 crore (US\$29 million). Rajasthan has also launched "Start-up Oasis" scheme.

**Statistical data:**

- \* With 4,200 startups, India ranks 3rd globally.
- \* Of \$18 billion pumped into Indian startups between 2010-15, \$9 billion came in 2015 alone.
- \* 9 Indian startups have been valued at more than a billion dollars.
- \* Increase in number of incubators: 80 in 2014, 110 in 2015; 50% outside Delhi, Bengaluru, and Mumbai.

**Startup India: 19 key points of PM Modi's action plan:**

Prime Minister Narendra Modi had announced the 'Startup India, Standup India' creativity in his Independence Day address last year. PM Modi uncovered the action plan for startups in the country. He announced a self-certification scheme in respect of nine labor and environment laws and said there will be no inspection during the first three years of launch of the venture. Addressing the first conference of start-up entrepreneurs, Modi announced an action plan to boost such ventures which are seen as key to employment generation and wealth creation. These 19 Key points are mentioned below:

**1. Compliance regime based on self certification**

The objective of compliance regime based on self certification is to reduce the regulatory liability on startups. This self-certification will apply to laws like payment of donation, contract labor, employees' provident fund, water and air pollution acts.

**2. Startup India hub**

A startup India hub will be created as a single point of contact for the entire startup ecosystem to enable knowledge exchange and access to funding.

**3. Simplifying the startup process**

A startup will be too able to set up by just filling up a short form through a mobile app and online entry. A mobile app will be launched on April 1 through which startups can be registered in a day. There will also be a portal for clearances, approvals and registrations.

**4. Patent protection**

The government is also working on a legal support for fast-tracking patent examination at lower costs. It will promote awareness and adoption of Intellectual Property Rights (IPRs) by startups and help them protect and commercialize IPRs.

**5. Funds of funds with a corpus of Rs 10,000 crore**

In order to provide funding support to startups, the government will set up a fund with an initial amount of Rs 2,500 crore and a total amount of Rs 10,000 crore over four years. The fund would be managed by private professionals drawn from the industry while LIC will be a co-investor in the fund. The credit guarantee fund for start-ups would help flow of venture debt from the banking system to start-ups by standing guarantee against risks.

**6. Credit Guarantee Fund**

A National Credit Guarantee Trust Company is being imagined with a budgetary allocation of Rs 500 crore per year for the next four years.

**7. Exemption from Capital Gains Tax**

Currently, investments by venture capital funds in startups are discharged from this law. Now, the same is being extended to investments made by incubators in startups.

**8. Tax discharge for startups**

Income tax discharge to startups announced for three years.

**9. Tax discharge on investments above Fair Market Value****10. Startup fests**

Innovation core programs for students in 5 lakh schools. There will also be an annual incubator grand challenge to create world class incubators.

#### 11. Launch of Atal Innovation Mission

Atal Innovation Mission started to give an impetus to innovation and encourage the talent among the people.

#### 12. Setting up of 35 new incubators in institutions

PPP model being considered for 35 new incubators, 31 innovation centers at national institutes.

#### 13. Setting up of 7 new research parks

Government shall set up seven new research parks - six in IITs, one in IISc with an early investment of Rs 100 crore each.

#### 14. Promote entrepreneurship in biotechnology

Five new bio collections, 50 new bio incubators, 150 technology transfer offices and 20 bio connect offices will be established.

#### 15. Innovation focused programmes for students

There will be innovation core programs for students in 5 lakh schools.

#### 16. Panel of facilitators to provide legal support and contribution in filing of patent application

#### 17. 80 per cent discount on filing patent applications by startups

#### 18. Relaxed types of public procurement for startups

#### 19. Faster exits for startups

### **Benefits & exemptions under start-up India stand-up India:**

The suitable Startups will be enjoying various Motivations and Exemptions:

- Easy availability of Seed Funding.
- Income Tax Exemptions for 3 years.
- 80% Patent fee will be refunded.
- Labor & Environment laws exemptions. No Inspection from PF, ESIC & Environment departments for 3 years.
- Capital Gain Tax exemption for investment in suitable Startup.
- Exposure to best startup mentorship.
- Easy Exit from the Startup within 90 days.

### **Registering a firm under startup India scheme:**

- Register a Private Limited (Pvt. Ltd.) or LLP
- File for trademark
- Develop a prototype Product or Service which is technology driven and solve new market problem
- Keep your company ROC filing up to date
- Search for a accepted Incubator or Angel Funding Firm
- Apply for Patent (If the process is a new innovation)
- Get reference from Incubator or Angel Funding Firm
- Apply to Inter Ministerial Board for approval.

### **Conclusions:**

The startup application for the scheme must be supported by a recommendation certificate for innovative nature of business from any one of the following establishment:

Start-up report 2015, start-ups created 65,000 new jobs in 2014 and by 2020, the number is expected to touch 2, 50,000. That's an ambitious plan and as of now, driven almost entirely by private sector initiative.





The international business community accepts India as one of the most attractive destinations for investments and of late, has discovered India's potential for innovation and creativity. And this has been achieved with little or no support from the government.

PM Modi rightly recognizes this fact and understands that this is the right time to bring in the government to define a conducive policy framework, backed by necessary financial and tax incentives, and nurture the creative and innovative potential of the youth. The downstream benefits of job creation in smaller towns and villages.

#### **Acknowledgement:**

We are thankful to all those who have directly or indirectly helped us in pursuing this research. We are also thankful to our all faculty members for sharing their immense knowledge and giving us their extra time from their busy daily schedule. We express our deep gratitude of thanks for our guide Mr. Jignesh N. Vidani, Assistant Professor at Rai Business School, Rai University, Ahmadabad, Gujarat with the guidance of whom we were able to complete our research paper on time. Last but not the least we are thankful to Rai University for providing us the opportunity of giving a practical exposure to research for the development of our career.

#### **References:**

1. Shewta Jaswal, "*Start-Up India plan on Jan 16: Modi on Mann ki Baat*", *The Indian Express*, 27<sup>th</sup> January 2016, pg 6
2. Neha Shah, "*Start-Up India campaign: We are growing much faster, says Arun Jaitley* : *Delhi, News - India Today*", *India Today Magazine*, 30<sup>th</sup> January 2016, pg 5
3. Tarun Shah, "*Start up India: This is the beginning of big bang start up boom in India, says Softbank CEO*", *The Hindu Newspaper* , 16 January 2016, pg 4
4. Experts column, "*RBI to create enabling framework for growth of start-ups*". *The Hindu*.2<sup>nd</sup> February 2016, pg 5
5. Expert's column, "*Startup India event Live: Adventure, doing the impossible is all entrepreneurship, says Uber CEO Travis Kalanick*". *The Financial Express*. *financial express*16<sup>th</sup> January 2016, pg 7
6. Special Article, "*Startup Mission to ink pact for innovation zone*". *The Hindu* 3<sup>rd</sup> January 2016, pg 7