

START-UPS AND ENTREPRENEURSHIP ARE CRITICAL TO INDIA'S EFFORTS TO RESTART PRIVATE INVESTMENT INTO THE ECONOMY

Dr. Nishant Rastogi*

Abstract

This initiative is an effective effort by the government to assist startups in starting new business ventures especially those with innovative ideas and skills. It will help in improving the status of small and new entrepreneurs as well as creating new job opportunities for others. PM Modi has requested to each banks to support at least one dalit and one woman entrepreneur in opening their business. There is no lack of talented and skilled youths with innovative plans in India however they need some effective support to be encouraged and go ahead without fear of getting failed. All the IITs, central universities, IIMs, NITs and other institutions of India were live connected to each other for the successful launch of this campaign. India is seventh-largest country by area and the second-most populous country with over 1.2 billion people. Large population implies a large potential market in India; however, it also leads to heavy employment pressure in Indian society. In recent years the self-employment consciousness among college students are increasing and the students are less likely to rely on parents or schools or wait for opportunities. Instead, they tend to take initiative to look for new chances for themselves. This research aims to investigate the challenges of financing startups in India. This paper is intent to explore the main difficulties faced by startups in India, and discuss the financing resources of startups in India by Using a literature-based analysis.

Keywords: Startups; Financing; SMEs; Venture Capital; Graduates

INTRODUCTION

Definition of Startup A startup company or startup or start-up is a young company that is just beginning to develop. Startups are usually small and initially financed and operated by a handful of founders or one individual. These companies offer a product or service that is not currently being offered elsewhere in the market, or that the founders believe is being offered in an inferior manner. In the early stages, startup companies' expenses tend to exceed their revenues as they work on developing, testing and marketing their idea. As such, they often require financing. Startups may be funded by traditional small business loans from banks or credit unions, by government sponsored Small Business Administration loans from local banks, or by grants from nonprofit organizations and state governments.

STARTING UP TO STAND STILL

The Start-up India Action Plan lists out a comprehensive set of structural and regulatory reforms in order to achieve this. Income tax exemption, easing compliance through reduction of regulations and having fixed qualifications as to what a 'start-up' is, were expectations at the top of the entrepreneurial bucket-list. But the Action Plan goes further. It goes on, for instance, to provide an 80 per cent waiver on patent filing fees by start-ups, provide advisory services and create a Rs.10,000 crore fund-of-funds which is to be managed by professionals drawn from the private

sector. These are just a few of the 'sweetheart' deals for start-up entrepreneurs under the Action Plan.

MONEY MATTERS 'FUND-OF-FUNDS'

But the Action Plan also appears to have a few flaws which need to be addressed. For instance, it sets up an 'Inter-Ministerial Board' led by the Department of Industrial Policy and Promotion which 'validates' the innovative nature of an enterprise, thereby qualifying it as a start-up – an involvement of government in this ecosystem that is hardly desirable. It also requires a start-up to obtain a recommendation from an incubator in order to be eligible. The most obvious and tangible benefits to start-ups under the Action Plan are the tax breaks and funding support. The Action Plan waives income tax on profits for a period of three years and also exempts taxes on capital gains which are invested in the 'fund-of-funds'. This move will help to reduce cash outflows and bring down the cost of running a start-up. In conjunction with the waiver of the 'angel investor' tax under the Finance Act, 2013, start-ups now can have improved access to funding opportunities. Pending reforms like the GST regime, would also make it easier for small start-ups to operate across the country. The Rs.10,000 crore 'fund-of-funds' is a significant financial commitment by the Government under the Action Plan. It is set to start with Rs.2,500 crore initially with the amount set to recur for 4 years.

This mega fund will not directly invest in start-up ventures. Instead, it will do so via SEBI registered

*Asst. Prof., Deptt. of Management, IIMT, Aligarh

venture funds. This fund will contribute a maximum of 50 per cent of the daughter fund size, providing a significant boost to the corpus of investments that start-ups have access to. It is important that this corpus is not managed by Politicians or bureaucrats, but smart, savvy fund managers who have a track record on investing. On the cost saving side, an 80 per cent rebate on patent filing costs alongside an exemption from having 'prior-experience' to be eligible under the public procurement process are steps taken to promote tech-based start-ups in particular. While tax incentives, cost saving measures and funding support will undoubtedly drive up investment into innovative start-ups it is essential that the government not lose sight of non-tech start-ups. It should make special provisions to ensure that this support structure extends to the agriculture, manufacturing, and handicrafts sectors.

EASE OF DOING BUSINESS

Promoting start-ups by improving ease of doing business is clearly at the forefront of the Action Plan. A significant benefit a start-up accrues under this policy is the waiver from labour inspections for 3 years. Now, anyone who has run a business and navigated the maze of bureaucracy understands the quagmire that labour laws can be, especially for a start-up. Along with the ease in environmental checks, these changes to labour inspections are a step in the right direction — particularly for those start-ups which are based in the manufacturing sector. But the Action Plan exempts start-up from inspection under a fixed number of labour laws — six to be specific. There are about 45 laws at the central level and about four times this number at the state level. The Centre needs to work with the States to ensure a smooth rollout of the benefits under the Action Plan and avoid discord between policies at the two levels.

'START-UP INDIA HUB'

This campaign was launched with its complete action plan on 16th of January in 2016 by the Modi government. This is a scheme which will promote bank financing for start-ups means youths of country. It will also offer incentives to them in order to boost entrepreneurship and job creation in the country. This programme is a big step taken by the Indian government regarding development in India by encouraging entrepreneurship among youths. According to this scheme, each of the bank branches will support at least one Dalit, Adivasi and women entrepreneur in order to easily encourage them. It will be proved very effective scheme in the development of India as it encourages and enables start-ups of the country who have strong mind and innovative ideas (necessary to bring nation on the new track).

This initiative will be proved a new dimension to the entrepreneurship and help new comers in setting up their businesses as well as make a live network of start-ups through connection. Highly skilled and multi talented youths of the country will be completely benefitted through this campaign and able to generate new jobs. This campaign is the result of commitment of Modi government to make India a developed country by 2022 with the availability of house, electricity, job and other basic needs to all.

WHAT IS STARTUP INDIA STANDUP INDIA CAMPAIGN

There is facility of incentives for manufacturing units to generate more jobs. Such initiatives are warm welcomed as they are very necessary to enhance the economic growth, betterment of people's lives and making India a developed country. Startup means youths of the country who have ability to standup India however need some help by the government. This programme is a big help to all the talented startups to look so far to lead India. At least one dalit or tribal entrepreneur and one woman entrepreneur will be supported by each of the 1.25 lakh bank branches in India. A new campaign named as Startup India, Standup India was announced by the Prime Minister Narendra Modi during his speech on Independence Day 2015. This is an effective scheme launched on 16th of January 2016 by the Modi government to help youths of the country. This is an initiative by the Indian PM to give opportunities to the youths to become industrialists and entrepreneurs which need the establishment of a startup network. Startups means youths of the country will be supported through finance from banks to strengthen those startups better so that they can create more employment in India. This programme is a big start to enable startups through financial support so that they can use their innovative ideas in right direction. PM has also requested to all the banks to support at least one dalit and one woman entrepreneur. This scheme will motivate and promote new comers towards business and grow their career and economy of the country.

ACTION PLAN OF STARTUP INDIA STANDUP INDIA SCHEME

A complete action plan of this scheme was launched on 16th January 2016. This scheme will boost entrepreneurship in the country at grassroots level ensuring youth benefits from the lowest strata of society. Youths have fresh mind, new ways, and new thinking so they are better to support as startups. Various IITs, NITs, central universities and IIMs of India were connected through the live connectivity during the successful launch of campaign. The main

aim of this scheme is to promote bank financing as well as offer incentives for start-up ventures to boost the entrepreneurship and new job creation techniques among them. The Action Plan also creates a centralised system under the 'Start-up India Hub' which assists start-ups by providing advisory services on financing, business structuring and improving management skills. It also provides for a mobile app which allows start-ups to self-certify themselves and also acts as a single point of contact between entrepreneurs, regulators and the government. This is a positive move in simplifying the registration process. This is perhaps the most pertinent question which has been answered by the Action Plan. In order to obtain the wide ranging benefits which have been detailed in the 40-page Action Plan, it is essential for an enterprise to qualify as a 'start-up'. An uncontroversial requirement, but the devil is in the details. The Action Plan requires an enterprise or partnership to be innovative by developing and commercialising a new product or service — a step to promote truly innovative ideas. But it institutes an inter-ministerial body led by DIPP to examine whether an enterprise is 'innovative'. It also requires a 'recommendation' from an incubator setup by the government or be supported by an incubator in a post-graduate institution recognised by the government — this need for validation and recommendation goes against the very steps the Action Plan takes to reduce government involvement. This additional layer of bureaucracy could slow down the starting up process and needs to go. Start-up India is consistent with the PM's call for innovation when he launched Digital India. The Start-up India Action plan is a good start to this – but will need continued support and evolution to make this a true, deep revolution for the youth of India.

CONCLUSION

This initiative is the necessity to lead India in right direction. The most important point about this campaign is that it involves youths of the country as start-ups as they have fresh mind, innovative ideas, required strength, energy, skill, and new thinking to lead business. Youths are the energetic and highly skilled section of the society so they are better target for this campaign.

This initiative seeks the participation of almost all the major higher educational institutions in India through the online connectivity in order to be successful. This programme will help India to be a start-up capital of the world. The complete action plan of this scheme has been launched with the launch of Start-up India Stand up India campaign. Establishing a high-level, inter-ministerial panel has also been planned to create a friendly ecosystem to look after the innovation as well as evaluate startup proposals to ensure that whether

they are qualified for incentives or not. India is a country of many great legends who were famous all over the world because of their works, sharp mind and high skill. However, our country is still on the developing track because of the lack of some solid support and ways to work in right direction. Youths in India are very talented, highly skilled and full of innovative ideas. This scheme is a big help to them to go in right direction using their new and innovative ideas.

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