
START-UP INDIA, STAND-UP INDIA: INDIA TURNING INTO A START-UP HUB BY PROSPERING ENTREPRENEURIAL CULTURE

DEEPAK KUMAR ADHANA**MBA, LL.B. UGC NET JRF (MANAGEMENT)****Research Scholar, Institute of Mgt. Studies & Research, M.D. University, Rohtak (INDIA)****ABSTRACT:**

India was one of the few countries which were not impacted because of the 2008 crisis. Though we faced some trouble in the following years but at that point of time also we were much better than many European nations. However that incident made an impact on the psychology of the Indian Youth. They noticed that MNCs in which they were working have been affected a lot. This incident made them think that for how long they can stay dependant on the MNCs for their job, their aspirations and their dreams. This was the point when the youth was bitten by the bug of start-ups. They started coming up with various ideas of their own companies and this number has been increasing since then. They are coming up with all types of ideas to solve the problems of the world. So this crisis in 2008 gave an opportunity to the youth of our country to reflect upon on what they are doing and what they can do. Thus they have taken a new path and courageously treading towards their goal.

Nowadays students have started opening their own Start-Ups just after completing their graduation. Not only that many of the youngsters are so confident of their ideas they leave their colleges before even completing their graduation. The positive thing about this is that the investors are also ready to invest in the ideas and such companies have started getting good funding.

The present paper provides an overview of start-up culture in India .This paper also discuss about the various reasons of growing start-ups and Government of India's initiatives towards making India a start-up nation. At last the paper also suggests strategies that can help India in becoming Global Start up Power.

KEYWORDS— Angel Investors, Incubators, Seed Funding, Start-ups, Venture Capital

I. INTRODUCTION:

A start-up is a company that is in the first stage of its operations. These companies are often initially bank rolled by their entrepreneurial founders as they attempt 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 sustainable in the long term without additional funding from venture capitalists. Startups are the lifeblood of our economy and innovation across the globe. They create jobs, new products, dreams, and disruption. They are led by entrepreneurs who work hard to bring their ideas to life. Often overshadowed by failure, they persist and can change the world. The start-up ecosystem is often described as young, innovative, aspirant and futuristic. Start-Ups give the freedom to the person to way in which he always wanted to work. It gives opportunity to entrepreneur in setting their own rules and the chance to realise the dreams. It requires a huge effort to make a Start-Up successful but the youth is ready to face the challenge and deliver despite the hindrances that he may face. India, home to a new breed of young start-ups, has evolved to become the third largest base of technology start-ups in the world.

India too has its fair share of successful startups, like Flipkart, Snapdeal and InMobi, valued at more than a billion dollars. But this ecosystem has got little help from the previous governments. The newly elected Prime Minister Narendra Modi in his Independence speech in 2015 talked about the launch of a potential new signature programme "Start-Up India and Stand-Up India". "We are looking at systems for enabling start-ups. We must be Number one in start-ups. 'Start-up India' and 'Stand up India'," Modi said in his speech. And finally on 16 January 2016 Government of India launched Action Plan its ambitious programme of Stand-Up India.

Before India, US had also developed on the similar lines i.e. the Start up Culture and it is an integral part of their "The Big American Dream". The same thing has been started in India but we have been different in many ways. These start-ups are mushrooming not only in the metros but also in the small villages of some remote part of our country. It is not only the tech start-ups which are becoming successful but also an as simple a solution as of providing clean solution to the households in village has been successful. The ideas have become successful not only because of the funding that the idea has got but because of the passion with which they pursue their ideas.

OBJECTIVE:

The study has been geared to achieve the following objectives;

1. To understand the detailed concept Start-Ups in India
2. To know successful billion dollar Start-Ups from India
3. To study the top 5 cities in the Indian Start-Up Ecosystem with figures
4. To study the reasons for India's exponential growth in the entrepreneurial ecosystem
5. To work out the key facts of Nasscom & Zinnov report on India's Start-Ups
6. To discuss the "Start-Up Action Plan" of Government of India.

RESEARCH METHODOLOGY:

The research paper is an attempt of exploratory research, based on the secondary data sourced from various reports, journals, magazines, articles and the websites. Available secondary data was extensively used for the study.

II. START-UP INDIA, STAND UP-INDIA:

The Indian action plan defines startups as:

"Startup means an entity, incorporated or registered in India not prior to five years, with annual turnover not exceeding INR 25 crore in any preceding financial year, working towards innovation, development, deployment or commercialisation of new products, processes or services driven by technology or intellectual property Provided that such entity is not formed by splitting up, or reconstruction, or a business already in existence".

GETTING STARTED:

On 16 January 2016, PM Modi launched the blueprint of the Start-up India, Stand up India Program. Before going to that initiative in detail let's have a look at the start-up culture in India in numbers.

TECH-DRIVEN START-UPS:

With 4,400 new-age companies, India ranks third after US and UK, among global start-up ecosystems, according to a Nasscom report titled Start-up India: Momentous Rise of the Indian Start-up Ecosystem released in October 2015. India had 3,100 start-ups in 2014 which is expected to grow to 11,500 start-ups in 2020, according to a report by Microsoft Ventures and Venture Intelligence.

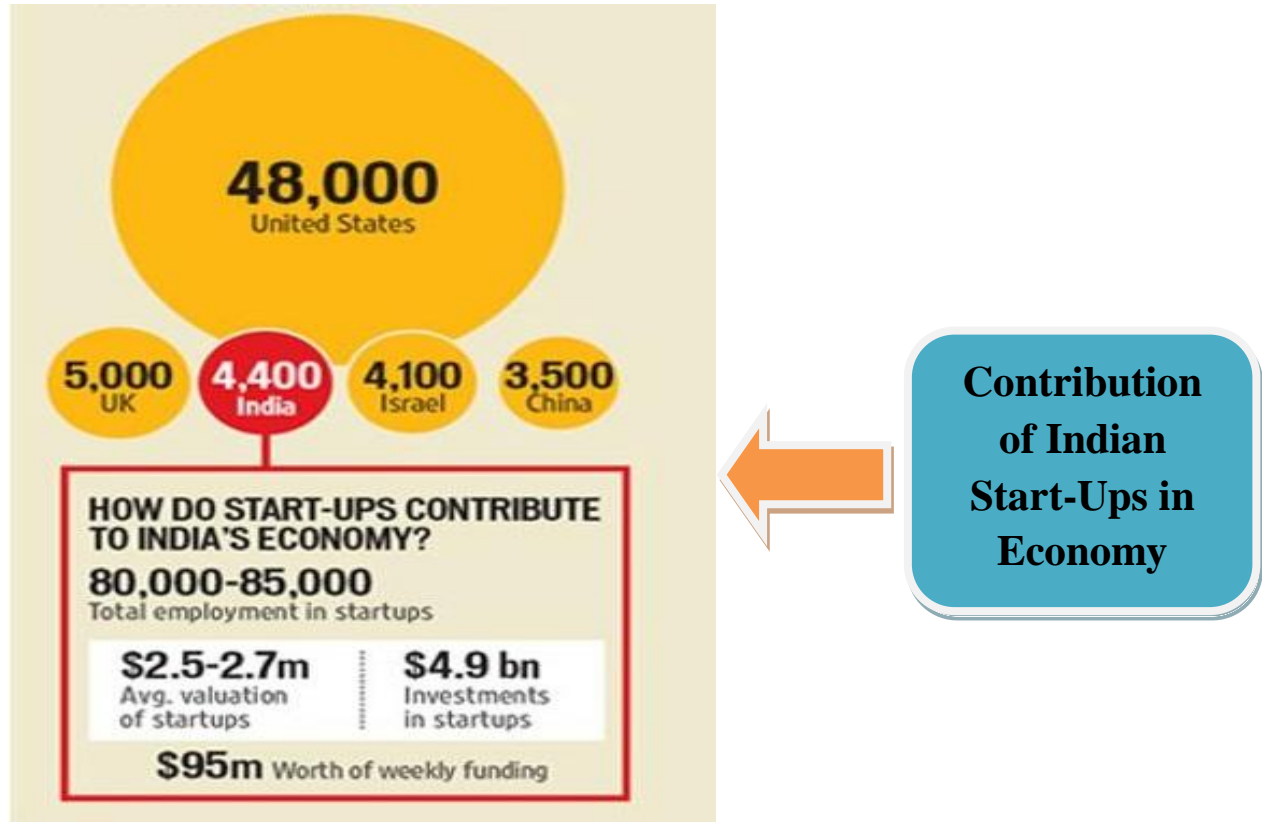


Figure 1: Start-Ups Contribution in Indian Economy
Source: Hindustan Times 3 January 2016

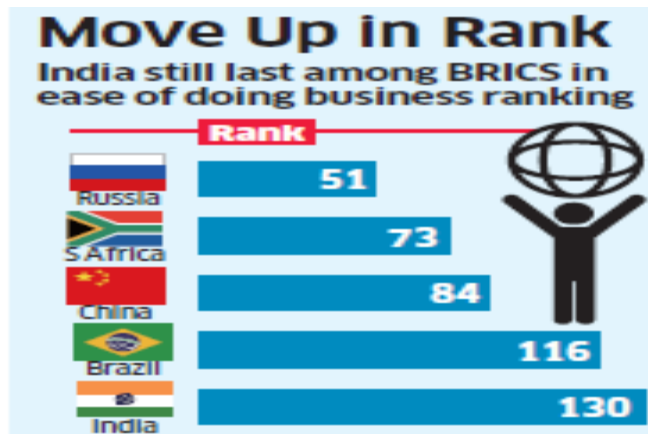
STARTING A BUSINESS IN DAYS:

India might have become a better place for starting a business but it still takes 29 days and over 12 procedures to begin a venture. Marking a significant improvement, India has been ranked at the 130th position among 189 economies in the World Bank's 'Doing Business 2016' report. The country's ranking has jumped from 142nd spot last year.

India's overall ranking is based on ten factors -- starting a business (155th rank), dealing with construction permits (183), getting electricity (70), registering property (138), getting credit (42), protecting minority investors (8), paying taxes (157), trading across borders (133), enforcing contracts (178) and resolving insolvency (136).



Figure 2: Starting a Business in days
Source: Hindustan Times 3 January 2016



Although India has move up in rank but it still last among the BRICS nations in ease of doing business ranking.

Figure 3: Ease of doing business ranking among BRICS nation
Source: Economic Times 28 October 2015

III. FUNDING SOURCE FOR START-UPS:

A good start does translate into half the work done, but how do you go about securing the much-needed funds? There are following options that a Entrepreneur can tap to get money for his venture:

INCUBATORS:

As the name suggests, these setups incubate the pre-product idea. They precede the seed funding stage and help the entrepreneur develop a business idea or make a prototype by providing resources and services in exchange for an equity stake, which ranges from 2-10%. For entrepreneurs, this is a good take-off point because the survival rate of incubated companies is very high. Incubators offer office space, administrative support, legal compliances, management training, mentoring and access to industry experts as well as to funding through angel investors or VCs. "Barring a few incubators, most don't offer funding, but make up for it by providing the entire logistics and external support so that the entrepreneur can focus on actual work without worrying about the nitty-gritty".

These are usually government-supported institutes like the IIMs or IITs, technical institutes or private business incubators run by industry veterans or companies. The incubation period can be 2-3 years

ACCELERATORS:

The accelerators are mostly similar to incubators, but differ in that they help speed up and hone the business idea in short spans of 2-3 months. The focus is on intense mentoring, networking and building

contacts, getting more investors, and helping with product development and marketing. The admission process is also tougher and more competitive.

Some of the top incubators and accelerators in India include GINSERV, IIM-Bangalore, NSRCEL, Microsoft Accelerator, IIT-Kanpur SIIC, etc.

INDIA'S PROMINENT ANGEL INVESTORS:

Once the business is up and running, it is usual for the start-up to look for investors. These investors come in at various stages in the growth of a startup. In order to get the startup off the ground, the startup is invariably capitalized by either the promoters themselves or by an "angel investor" (usually someone with benevolent intentions). India's prominent Angel Investors are:



Figure 4: India's Prominent Angel Investors

CROWDFUNDING:

This is another and, among the more recent, ways of getting seed funding. It has been used effectively by NGOs to raise donations through social media and is now helping entrepreneurs. Simply put, it is the practice of raising capital through small amounts from a large number of people, usually through the Internet. The entrepreneur can get money for his venture by showcasing his idea before the entire world and convincing people of its utility and success. One of the best crowdfunding success stories is that of Rohildev, founder and CEO of RHLvision Technologies, a company he founded in 2012 as a student of engineering, in Kerala. For his Bluetooth ring, Fin, he managed to raise \$2 million in 60 days, through 1,600 investors from 60-70 countries, on Indiegogo, a US-based crowdfunding platform that allows companies registered in any country to raise funds.

VENTURE CAPITAL: After the initial seed-funding stage, there comes expansion and growth of the venture, which requires big money. This is where venture capitalists come in. Venture Capital or VC is a type of private equity capital typically provided to startup companies with high-growth potential in the interest of generating a return through an eventual liquidity event such as an IPO or trade sale of the company. Venture capital investments are generally made as cash in exchange for shares in the invested company. In exchange for the high risk that venture capitalists assume by investing in smaller and less mature companies, venture capitalists usually get significant control over company decisions, in addition to a significant portion of the company's ownership (and consequently value).

IV. SUCCESSFUL START-UPS FROM INDIA:

A lot of startups in India have entered the industry either unearthing an entirely new market or through gaps in existing markets or product lines. Although there are many successful startups, here are five that are growing rapidly and changing how an existing industry works in the process:

PAYTM:

Paytm is an Indian e-commerce shopping website with headquartered in Noida, India was launched in 2010. It is owned by One97 Communications. The firm started by offering mobile recharging, adding bill payment and e-commerce, with products similar to businesses such as Flipkart, Amazon.com, Snapdeal. In 2015, it added booking bus travel. In March 2015, Indian industrialist Ratan Tata made personal investment in the firm. Boasting 40 million mobile wallets and more than 15 million orders per month, Paytm has revolutionized mobile commerce in India. It's a leading payment solutions provider to e-commerce merchants using its RBI approved semi-closed wallet, also its USP. From Domino's Pizza to Zivame to Uber, it's everywhere.

FLIPKART:

Flipkart is an e-commerce company founded in 2007 by Sachin Bansal and Binny Bansal. The company is registered in Singapore, but has its headquarters in Bangalore, Karnataka. In May 2014, Flipkart received \$210 million from DST Global, in July 2014 it raised \$1 billion led by existing investors Tiger Global and South Africa's media group Naspers and in May 2015 it raised \$550 million from some of its existing investors. Flipkart's last fundraising round in May 2015 had pegged its valuation at \$15 billion.



Figure 5: Successful Start-Ups from India

HOUSING.COM:

Housing.com is a Mumbai-based real estate search portal which allows customers to search for housing based on geography, number of rooms, and various other filters. The company has 6,000 brokers and serves 40 cities in India including Chennai, Mumbai, Bangalore, Kolkata and Delhi. They're growing intelligently and rapidly and surpassed all competition within two years of launch. They recently acquired Delhi-based Realty Business Intelligence for an estimated USD 2-4 million. Realty BI tracks real estate trends and creates collateral risk management tools through the use of technology.

InMOBI:

InMobi is a performance based mobile ad network backed by Soft Bank and Kleiner Perkins Caufield & Byers. The company was founded in 2007 in India with offices in several countries. Securing a coveted spot in MIT Technology Review's 50 most disruptive companies of 2013, InMobi's international acquisitions and exponential growth continues to challenge industry giants like Apple, Facebook and Google. Their pioneering innovation in data science epitomizes typical startup growth DNA. In InMobi's words, they're going to, "democratize the understanding of user behavior".

OLA:

OlaCabs, commonly known as Ola, is an Indian transportation network company. Ola started as an online cab aggregator in Mumbai, now based out in Bangalore and is among the fastest growing businesses in India. It was founded on 3 December 2010 by Bhavish Aggarwal (currently CEO) and Ankit Bhati. In November 2014, Ola expanded to incorporate autos on-trial basis in Bangalore. Post the trial phase, Ola Auto expanded to other cities like Delhi, Pune and Chennai starting December 2014. In December 2015, Ola expanded its auto services in Chandigarh, Indore & Jaipur. Ola was valued at \$5 billion as of September 2015.

V. TOP 5 CITIES IN THE INDIAN START-UP ECOSYSTEM:

Indian startup ecosystem has really taken off and come into its own—driven by factors such as massive funding, consolidation activities, evolving technology and a burgeoning domestic market. Let's look at 5 Indian cities and how they compare:

1. BENGALURU: 26% of the Indian start-ups are concentrated in Bangalore. US-based Compass ranked Bangalore 15th in a global Start-up Ecosystem ranking for 2015. The Compass is a provider of automated reporting and benchmarking software. As per the ranking, the city is among 5 ecosystems that made the biggest leaps over the last two years. Bangalore already hosts Myntra, Flipkart, BigBasket, ZoomCar, HackerEarth & many more. And, on the side successful start-ups like FreeCharge, Ola, Quikr and InMobi had shifted their base to Bengaluru in search for good talent and low real estate cost.

2. DELHI NCR: 23% of the start-ups are concentrated in Delhi NCR. Both Gurgaon/Delhi/Noida and Bengaluru have turned out to be the breeding grounds for start-ups providing web-based services across industries from finance to healthcare, logistics, cab-aggregation, food & grocery delivery, and real estate.

3. MUMBAI: 17% of the startups are concentrated in Mumbai. Mumbai host major startups like Housing, ClearTrip with major VCs like Helion Venture Partners, Sequoia Capital, Nexus Venture Partners, Matrix Partners, Norwest Venture Partners & many more. As you can see Mumbai start-ups have raised \$965.67 million in 2015 compared to other cities.

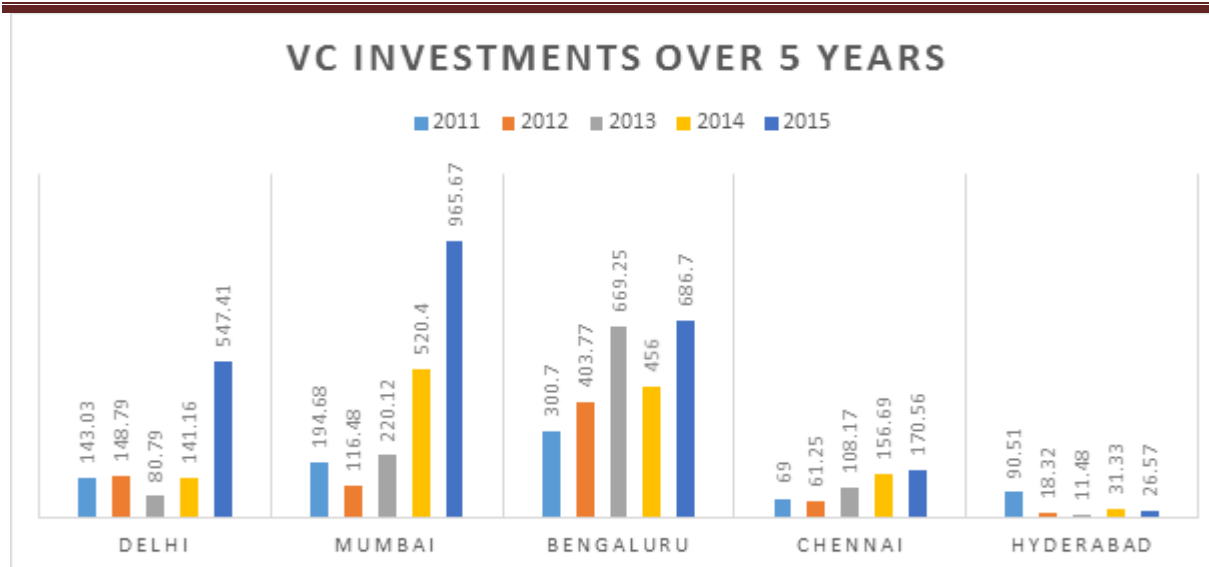


Figure 6: VC Investment in Cities (Figures in USD million)

Source: PVC via VCEdge

The below table talks about how funds followed into Indian start-ups during 2011 -2015:

Cities	Delhi/NCR	Bangalore	Mumbai	Hyderabad	Chennai
Total funds raised	\$1061.18 Mn	\$2516.42 Mn	\$2017.35 Mn	\$178.21 mn	\$565.67 Mn
No. of start-ups that raised funds	236	311	199	45	55
Web-based services	108	112	87	19	22
Net classifieds/listings	12	12	17	5	4
Mobile Tech	28	56	24	5	5
E-commerce	52	45	34	8	9

Digital media	6	10	10	0	1
Cloud/SaaS	26	64	17	6	11
Big data	4	12	10	2	3

Source: www.iamwire.com

4. CHENNAI: Chennai is fast shedding its image as the auto-manufacturing hub of the country. Not that they're shutting down all those factories. Rather they are opening more business centres-this time belonging to another industry- in the Software as a Service (SaaS) sector, to be precise. Another significant factor is that the city has attracted 38 percent of new tech talent (as per a LinkedIn report released in June, 2014). Though the figure lags behind the 44 percent for Bangalore or the 43 percent for Pune and Hyderabad, it's still commendable all the same. Where Chennai truly lags is in the investor-concentration. As opposed to Bengaluru's 220, this South Indian state has just 50 angel investors. Raising the number of incubation centres for start-ups from the current four would also be welcome.

5. HYDERABAD: Hyderabad in some ways Bengaluru's gain has been Hyderabad's loss. Hyderabad was intended to be India's first hi-tech city but the startup ecosystem was crushed by the weight of the 2008 financial crisis. It is home to large operational centres for Uber, Amazon and Google, as well as educational institutions IIT Hyderabad, ISB and NALSAR.

VI. WHY YOUTH ARE WILLING TO GO FOR START-UPS:

India is called as the youngest country of the world with 65% Population is below 35 Years of age. The fact that the youth are willing to take the risk of setting up their own venture as opposed to joining an established company is a clear indication of the maturing of India. The increasing number of start-ups has provided more jobs at all levels. Already, over 80,000 people are employed by start-ups and 3-4 new start-ups are born each day.

There are various reasons why the youths are more willing to go and start their own company rather than being a part of MNCs:

1. Youth are more risking taking and ready to take up even the most challenging task. Youth are Equipped with self confidence, knowledge, ability to work in teams and other skills which are pretty much required to succeed in the corporate world.
2. They are very much hard working and have a go getters attitude. They want to put in a lot of efforts and in return expect an equivalent returns. The MNCs demand dedication but they are not able to reciprocate it with their rewards causing a feeling of frustration.
3. They want to solve the problems of the world, they want to contribute in the nation building and money is seldom their end motive. They want to generate values by their hard work and work passionately to achieve their task.

VII. REASONS FOR INDIA'S EXPONENTIAL GROWTH IN ENTREPRENEURIAL ECOSYSTEM:

Indian technology start-ups have begun to make a mark globally. According to a Nasscom-Zinnov report, Start-up India—Momentous Rise of the Indian Start-up Ecosystem, the country has moved up to the third position—behind the US and the UK—in the ranks of global start-up ecosystem, with over 4,200 start-ups so far in 2015. India is growing as a start-up nation. Followings reasons for India's exponential growth in the entrepreneurial ecosystem-

Technology as an enabler: Technology has simplified the way business is done. There is no need for conventional retail or distributors to go-to market. Entrepreneurs can access the market through the internet because everything is now tech-enabled. This is radically different from what it was a decade or more ago when entrepreneurs had to seek and convince retailers, distributors, etc to stock the product or service. The internet has made it accessible and easy to directly approach the consumer. The entrepreneur is thus not at the mercy of the middle-men. Direct selling is a wonderful option available to him now.

Risk-taking abilities: Technology has also helped in fostering a 'can-do' attitude across classes in the country towards entrepreneurship. A decade ago, on campus interviews, there was hardly 0.5 percent students interested in entrepreneurship. That number is growing with two to three percent students opting for entrepreneurship this millennium. This has helped the start-up ecosystem. Some students take up a job and also simultaneously start-up.

Favourable economic environment: - This has been a very crucial factor why we have been able to see so many start-ups in the recent past. Government schemes like “Make in India” are a booster for the start-ups. We have also seen that foreign investors have also shown a lot of a faith in the Indian Start-Ups and they are getting regular funding from them. Institutions like IIMs and IITs have started promoting incubation cells in their campuses and also they have opened up the option of deferred placements.

Social Entrepreneurship: Social entrepreneurship has grown, thanks to a lot of students coming from Tier III, IV cities. If one were to look at the composition of IIT-Bombay campus, for instance, there are a lot of students now who come from non-metros. This was not the case two to three decades ago. These students have faced real problems at the grassroots-level and are eager to solve these issues. Earlier, social entrepreneurship was not seen as a lucrative proposition. However, that is not the case today.

Availability of funds: There are more avenues to raise funds today than 25 years ago. Earlier, an entrepreneur had to go to the stock market to raise money. However, the concept of seed funds, angel funds, crowd funding, VC funding etc has made it easier to start-up today.

Ease of communication: Communication has changed the way business is being done. It has led to lesser costs being spent arranging for meetings etc because of access to better technology. Earlier, if a meeting was to be held in another city, someone senior had to fly down to that city and stay in a hotel — all these expenses have been done away with due to Skype, conference calls and video conferencing.

Improving financial systems: In the 1980s and 1990s, stock market scams were the big thing. However, with improving financial systems, the number of such scams has come down. SEBI regulations are very strict and the system has become transparent. The share price of a company is a good reflection of the financial performance of the company.

Career options: Earlier, a student who did well in his studies opted to go in for medicine or engineering. Business was the option of those students who did not fare well in their studies or whose family was in

business. This has undergone a sea change. There are a number of colleges and B-School that have centres of innovation like IIM-Ahmedabad — it has a Centre for Innovation, Incubation and Entrepreneurship; Nasscom has 10,000 start-ups. All this has made entrepreneurship accessible and possible.

A failure start-up is no more a failure: - Gone are the days when the failed start-up was seen a career disappointment. Now even a failed start-up is a CV point and the work experience ensures that you get a good job if you want to come back to the corporate world. So this has given the freedom to try test fail and come back again in the entrepreneur world once you are ready again. This is a great catalytic for start-ups.

Vibrant ecosystem: Though nascent, there is a vibrant eco-system which is supportive of entrepreneurship. There are companies that can loan office space, furniture etc. So even if someone has nothing but an idea, he can still start-up as the ecosystem is very supportive.

VIII. SOME KEY FACTS OF NASSCOM & ZINNOV REPORT ON INDIA'S START-UPS:

The NASSCOM and IT consulting firm Zinnov in its Report 2015, on start-ups reveals that India is the most exciting Start-up nation emerging globally. Some of the well known key facts of Indian start-ups are:

No. 3 ranking in the Global Start-up Ecosystem:

The US is the largest for technology driven Start-ups with 47,000-48,000 companies, Great Britain has 4,500-5,000 companies, India ranks 3rd with 4,200-4,400 companies, Israel has 3,900-4,100 and China 3,300-3,500 companies. China, too, has ambitious plans to promote Start-ups and should be giving strong competition to companies from other nations. Between 2013 and 2015, Start-ups in India grew by 70%, and between 2015 and 2020, the growth rate is expected to be 75%.

9 Indian Start-ups valued at over \$1 billion:

Between 2014 and 2015, valuations of several Indian Start-ups have skyrocketed, reflecting the confidence investors are placing on the Start-up ecosystem in India.

125% increase in funding over 2014:

Between 2010 and 2015, Start-ups in India received \$9 billion. In the year 2015 alone the total investment touched \$9 billion. Year 2016 is expected to see higher levels of investment.

Top deals in 2015 for billion-dollar ecommerce companies in India:

- **Flipkart** : \$700 million from Tiger Global and Steadview Capital
- **Snapdeal** : \$500 million from Alibaba Group, SoftBank, Foxconn among others
- **PayTM** : \$635 million from Alibaba Group, SAIF Partners among others
- **Quikr** : \$150 million from Investment AB Kinnevik and Tiger Global

123% increase over 2014 in active investors

In 2014, there were 220 active investors. The number has risen by 123% to over 490. This number is further expected to rise in 2016. The average funding level in 2015 was \$95 million per week.

\$2.5 – \$2.7 million the average valuation of Start-ups:

Average valuation increase is a great indicator of how overall Start-ups are performing and the level of confidence that investors place on these companies.

40% increase in number of Start-up Incubators and Accelerators:

In 2014 there were 80 Incubators; the number has increased to 110 in 2015. With the government now supporting the establishment of more incubators and accelerators, the number will substantially increase in 2016-17. It is interesting to note that over 50% of these are located outside the traditional cities of Delhi, Mumbai and Bangalore. Bangalore is ranked 15th in the Global Ranking for Start-up cities.

80,000 – 85,000 directly employed by Start-Ups:

This figure is expected to increase to over 2, 50,000 within the next few years. The indirect potential for employment is even higher.

8 out of 10 VCs & PEs operating in India are foreign companies:

This reflects strong confidence in the Indian entrepreneurship and technology by foreign firms, and in 2016, more domestic firms are expected to join the list of companies looking to invest in the next big idea coming out of India.

28 years is the average age of Start-up entrepreneurs:

72% of Start-up entrepreneurs are below 35 years of age making Indians amongst the youngest set of entrepreneurs in the world. The break-up is – 31% are within 31-35 years, 26% within 26-30 years, 15% within 20-25 years and 15% within 36-40 years. Of these, 35% are engineering graduates, 26% hold MBA degrees, 10% are post-graduates, and 4% are engineering post-graduates. 91% are male entrepreneurs and 9% female.

About 1,200 start-ups were born in 2015 alone:

There were about 1,200 start-ups were born in 2015 alone, of which about 50 per cent are present in areas such as ecommerce, consumer-focused services and aggregation-based business models.

In 2015, e-commerce companies invested about \$600 million in advertising and marketing.

The report also reveals that 9 per cent of the start-up founders in India are females

IX. 10 THINGS TO KNOW ABOUT INDIAN START-UPS:

The below figure indicates 10 important things to know about Indian start-ups:

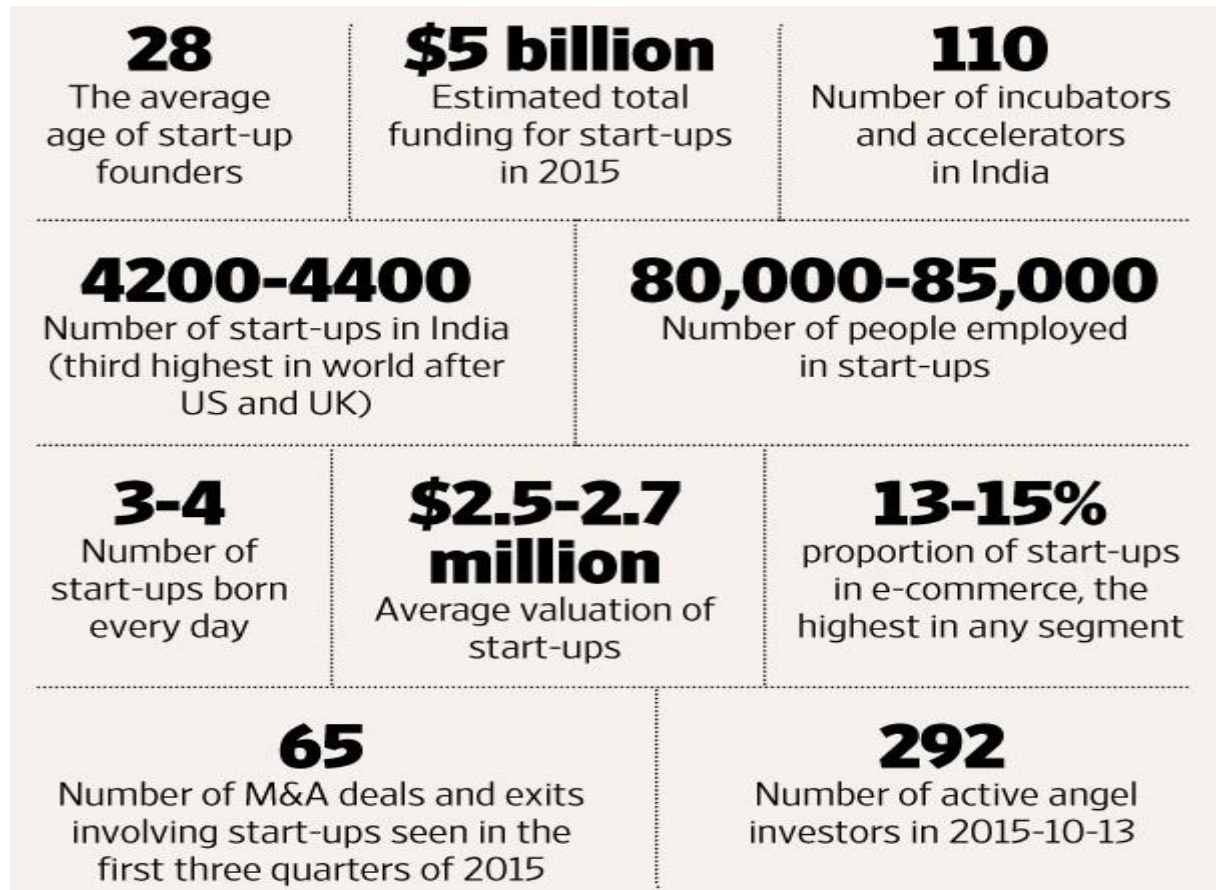


Figure 7: Things to know about Indian Start-Ups

X. PRIME MINISTER MODI LAUNCHES START-UP INDIA:

There was palpable excitement all around on 16 January 2016, PM Modi launched the 40-page Action Plan for Start-up India initiative, which was attended by leading international and domestic VCs and PEs, CEOs of leading Start-ups, Industry Captains, heads of major industry and trade bodies, senior bureaucrats, and most importantly, budding entrepreneurs.

START-UP INDIA ACTION PLAN:

The Start-up India Action Plan lists out a comprehensive set of structural and regulatory reforms in order to achieve Start-Up India and Stand-Up India. 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.

XI. HIGHLIGHTS OF ANNOUNCEMENTS BY PM NARENDRA MODI PERTAINING TO START-UP INDIA ACTION PLAN:**1. COMPLIANCE REGIME BASED ON SELF CERTIFICATION:**

- Startups shall be allowed to self-certify compliance with labour and environment laws.
- No inspection will be conducted for three years.
- In case of environment laws, startups under 'white' category would be able to self certify compliance.

2. START-UP INDIA HUB: Will be single-point of contact and hand-holding**3. SIMPLIFYING THE STARTUP PROCESS:**

A startup will be able to set up by just filling up a short form through a mobile app and online portal that will be launched in April.

4. PATENT PROTECTION:

- The government will make IPR procedure transparent for startups.
- Patent applications of the startups shall be fast tracked for examination and disposal.
- 80% in patent registration fee.

5. PANEL OF FACILITATORS TO PROVIDE LEGAL SUPPORT AND ASSIST IN FILING OF PATENT APPLICATION:

- Facilitators shall provide assistance for startups in filing and disposal of patent applications related to patents, trademarks and design under relevant Acts.
- Government shall bear the entire fees of the facilitators for any number of patents, trademarks or designs that a startup may file.

6. RELAXED NORMS OF PUBLIC PROCUREMENT FOR STARTUPS:

- Startups (in the manufacturing sector) shall be exempted from the criteria of prior 'experience/turnover' without any relaxation in quality standards or technical parameters.

7. FASTER EXITS FOR STARTUPS:

- To make it easier for startups to exit, provision for fast-tracking closure of businesses has been included in 'The insolvency and Bankruptcy Bill 2015'.
- Startups with simple debt structures may be wound up within a period of 90 days from making of an application for winding up on a fast-track basis.

8. FUNDS OF FUNDS WITH A CORPUS OF RS 10,000 CRORE:

To provide funding support for development and growth of innovation driven enterprises, Government will set up a fund with an initial corpus of Rs 2,500 crore and a total corpus of Rs 10,000 crore over a period of 4 years.

9. CREDIT GUARANTEE FUND:

To catalyse entrepreneurship through credit to innovators across all sections of society, credit guarantee mechanism through National Credit Guarantee Trust Company/SIDBI shall be rolled out with a budgetary corpus of Rs 500 cr per year for the next four years.

10. EXEMPTION FROM CAPITAL GAINS TAX:

Exemptions shall be given in case capital gains are invested in the fund of funds recognised by the government. In addition, existing capital gain tax exemption for investment in newly formed MSMEs by individuals shall be extended to all startups. **(Generally, long-term capital gains are charged to tax @ 20% (plus surcharge and cess as applicable))**

11. TAX EXEMPTION FOR STARTUPS:

To promote growth of startups, profit of startups, set up after April 1, 2016, shall be exempted from income-tax for a period of three years.

12. TAX EXEMPTION ON INVESTMENTS ABOVE FAIR MARKET VALUE:

In line with the exemption available to venture capital funds to invest in startups above fair market value (FMV), investments made by incubators above FMV shall also be exempted.

13. STARTUP FESTS: For showcasing innovation and providing a collaboration platform

14. ENTREPRENEURSHIP PROMOTION VIA:

- Establishment of sector specific incubators
- Establishment of 500 tinkering labs with 3D printers in universities
- Pre-incubation training to potential entrepreneurs
- Strengthening of existing incubation facilities
- Seed funding to high growth startups

15. INNOVATION PROMOTION VIA:

- Atal Innovation Mission
- Institution of innovation awards (three per state/UT) and three national level
- Providing support to State Innovation councils for awareness creation and organising state level workshops/conferences
- Launch of Grand Innovation Challenge Awards for finding low cost solution to India's pressing and intractable problems

16. SETTING UP OF 35 NEW INCUBATORS IN INSTITUTIONS:

Funding support of 40% (subject to a maximum of Rs 10 crore) shall be provided by central government for establishment of new incubators in existing institutions for which 40% funding by the respective state government and 20% funding by the private sector has been committed.

17. SETTING UP OF 7 NEW RESEARCH PARKS MODELED ON THE RESEARCH PARK AT IIT MADRAS:

- Government shall set up seven new research parks – six in IITs, one in IISc with an initial investment of Rs 100 crore each.
- These parks shall enable companies with a research focus to set up base and leverage the expertise of academic/research institution.

18. PROMOTE ENTREPRENEURSHIP IN BIOTECHNOLOGY:

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

19. INNOVATION FOCUSED PROGRAMMES FOR STUDENTS:

- Innovation core program shall be initiated to target school kids with an outreach to 10 lakh innovations from five lakh schools.
- A Grand Challenge Program (National Initiative for Developing and Harnessing Innovations) to support and award Rs 10 lakh to 20 student innovations from Innovation and Entrepreneurship Development Centres.
- **Uchhattar Avishkar Yojana** has earmarked Rs 250 crore per annum towards fostering 'very high quality' research amongst IIT students.

LABOUR MINISTRY MOVES TO EASE COMPLIANCE NORMS:

The labour and employment ministry on 24 January 2016 took steps to relax labour-related compliance measures for start-ups; a week after Prime Minister Narendra Modi unveiled the Start-up India initiative. The ministry has decided to exempt start-ups from inspections related to key 9 labour laws including:

- | | |
|---|----------------------------|
| A. The Industrial Disputes Act | B. The Contract Labour Act |
| C. The Employees State Insurance Act | D. The Trade Union Act |
| E. Employees Provident Fund and Miscellaneous Provisions Action | |
| F. Employees' State Insurance Corporation (ESIC) | |
| G. Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act | |
| H. Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act | |
| I. Payment of Gratuity Act | |

Start-Ups will also not be asked to file return or inspected for the next two years, but will be inspected in case a very credible and verifiable complaint of violation is filed in writing and the approval has been obtained from the Central Analysis and Intelligence Unit (CAIU).

Except the EPF and Miscellaneous Provisions Act and the ESI Act, the implementation of other seven laws lies in both central and state government's sphere. Labour Ministry had directed its officials as well as the EPFO and ESIC to regulate inspection of startups, under laws which lie in the centre's sphere.

XII. CONCLUSION:

Start-up Action Plan is focused on to restrict role of States in policy domain and to get rid of "license raj" and hindrances like in land permissions, foreign investment proposal, and environmental clearances. The Fund set up under Action Plan fund could be the golden ticket for many startups. Moreover, 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.

The action plan is largely optimistic since it shows a very positive intent by the government. However, going forward, it is critical that the government sets up a team of founders, investors, angels, lawyers and accountants who can ensure that the final policies surrounding startups are as flawless as possible and maintain the right balance between accountability, transparency and doing business. Kudos to the Modi government, but we expect a lot more in the coming months.

In the end I will conclude with the words that Government of India has done its job very well by introducing many lucrative schemes for Start-Ups. This is definitely a good beginning for bright future of India. After all, today's start-up could well morph into a large corporation in the not-too-distant future. Now the onus of making India "A Start-Up nation" is on buddy entrepreneur of India, especially on the youth. Will the Start-up India campaign end up making India the start-up hub of the world? Only time will tell. But we can hope for the best.

REFERENCES:

The National Association of Software and Services Companies (NASSCOM) and Zinnov 2015 Report on Start-Ups

Government of India Action Plan for Start-Ups Launched on 16 January 2016

<http://www.mapsofindia.com/my-india/india/make-india-work-10-reasons-why-india-is-a-start-up-nation>

<http://www.iamwire.com/2015/12/top-5-cities-indian-startup-ecosystem/127996>

<http://grabhouse.com/urbancocktail/best-indian-cities-for-startups-to-flourish-well-begun-is-half-done/>

http://articles.economictimes.indiatimes.com/2015-06-29/news/63937869_1_orios-venture-partners-angel-investors-vc-funding

<http://economictimes.indiatimes.com/news/economy/indicators/ease-of-doing-business-india-improves-ranking-singapore-tops-the-list-says-world-bank/articleshow/49559515.cms>

<http://businessworld.in/article/It-Takes-29-Days-To-Start-A-New-Business-In-India-World-Bank-Report/17-11-2015-87672/>

<http://www.doingbusiness.org/data/exploreeconomies/india/>

https://www.reddit.com/r/india/comments/42q38m/labour_ministry_moves_to_ease_compliance_norms/