

Government Policies regarding Startups

Each startup has a unique challenge and each challenge has a government policy to get through with it.

In the ongoing years, the Government of India has been concentrating increasingly on a wide universe of rising new businesses, and for this, the legislature has been getting new projects and open doors for drawing out the best in these organizations and helps them in development and sustaining. A few Startup policies propelled by the Indian government for the best growth of the Indian Startups have been attempted to help the new enterprise and to encourage a culture of development among the youths in India. With a tremendous and extraordinary statistic advantage, India, regardless, can enhance, raise entrepreneurs and create employment for the benefit of the nation and the world.

Ever since the ambitious Startup India policy was announced, India saw an unprecedented growth in individuals coming up with new ideas, new innovations, and new startups.

For the first-timers, be it entrepreneurs or startups, certain assistance is required to meet various conditions like innumerable registrations, certificates, finance, labor and environment-related compliances, and various other bureaucratic regulations.

It is undeniable that there are tons of startup policies. What is more comprehensive than the policies is the list of qualifying parameters and compliances that the entrepreneurs are required to adhere to. These act as a major speed breaker for the companies. In addition to this, the functional hassles along with dealing with the officers just add on to the trouble. Thus, unless the new entrants have sufficient social and legal knowledge they do not receive the required recognition they deserve have tried to identify what are the major areas in which young entrepreneurs and innovative techies require help and what are the policies which could be helpful for them.

A) Financial Assistance Schemes

Raising funds for any startup is the biggest task. The Ministry of Micro, Small & Medium Enterprises has launched various schemes for ensuring that funds are directed towards you in the easiest manner. Here are some of the schemes that can help you:

1.Prime Minister Employment Generation Program (PMEGP)

After the successful Prime Minister Rojgar Yojna (PMRY) and Rural Employment Generation Program (REGP), the government combined the two and launched Prime Minister Employment Generation Program in collaboration with Khadi and Village Industry Commission to ensure that employment opportunities are created for the urban and rural areas by the means of enabling them to start self-sufficient employment ventures. The scheme provides setting up of a project at subsidized costs and funding up to 25 Lakhs for setting up a manufacturing unit and up to 10 Lakhs for establishing a service unit.

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| Description | The scheme is implemented by Khadi and Village Industries Commission (KVIC) functioning as the nodal agency at the national level. At the state level, the scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs) and banks. In such cases KVIC routes government subsidy through designated banks for eventual disbursement to the beneficiaries / entrepreneurs directly into their bank accounts. |
| Assistance | The maximum cost of the project/unit admissible in manufacturing sector is ₹ 25 lakhs and in the business/service sector, it is ₹ 10 lakhs. Categories of Beneficiary's Rate of subsidy under PMEGP (of project cost) Area (location of project/unit) General category 15%(Urban), 25%(Rural), Special 25%(Urban), 35%(Rural) (including SC/ ST/ OBC/ Minorities/Women, Ex-servicemen, Physically handicapped, NER, Hill and Border areas, etc.) The balance amount of the total project cost will be provided by the banks in the form of term loan and working capital. |
| Who can apply? | Any individual, above 18 years of age. At least VIII standard pass for projects costing above Rs.10 lakh in the manufacturing sector and above Rs. 5 lakh in the business / service sector. Only new projects are considered for sanction under PMEGP. Self Help Groups (including those belonging to BPL provided that they have not availed benefits under any other Scheme), Institutions registered under Societies Registration Act,1860; Production Co-operative Societies, and Charitable Trusts are also eligible. |
| How to apply? | The State/Divisional Directors of KVIC in consultation with KVIB and Director of Industries of respective states (for DICs) will give advertisements locally through print & electronic media inviting applications along with project proposals from prospective beneficiaries desirous of establishing the enterprise/ starting of service units under PMEGP. The beneficiaries can also submit their application online at https://www.kviconline.gov.in/pmegpeportal/pmegphome/index.jsp |

2. Performance and Credit Rating Scheme

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| Description | The purpose of rating scheme is to provide a trusted third party opinion on the capabilities and creditworthiness of the micro & small enterprises (MSEs) so as to create awareness amongst MSEs about the strengths and weakness of their existing operations. This provides them an opportunity to improve and enhance their organizational strengths and credit worthiness, so that they can access credit at cheaper rates and on easy terms. It also facilitates them in increasing their acceptability from Customers / Buyers and Vendors. Rating under the scheme is a combination of credit and performance factors. Rating symbols are standardized and followed uniformly by all Rating Agencies. |
| Assistance | Rating fee payable by the MSEs is subsidized by the Government to the extent of 75% subject to maximum ceiling of Rs. 40000/-based on the turnover of the unit. |
| Who can apply? | Micro & Small Enterprises |
| How to apply? | Rating is carried out through accredited rating agencies empaneled under the Scheme. MSEs have liberty to choose any of the empaneled Rating Agencies. Any unit, seeking rating under the Scheme, may apply in the application form (may be downloaded from the website of Ministry of MSME, NSIC, Office of DC-MSME and the Rating Agencies) along-with prescribed documents and its share of rating fee directly to the rating agency, selected by it, |

3. Credit Guarantee Trust Fund for Micro & Small Enterprises (CGT SME)

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| Description | Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India (SIDBI) jointly established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) in order to implement Credit Guarantee Scheme for Micro and Small Enterprises. The corpus of CGTMSE is contributed by Government of India and SIDBI. 75% of the loan amount to the bank is guaranteed by the Trust Fund. |
| Assistance | Collateral free loan up to a limit of ₹ 100 lakh is available for individual MSE on payment of guarantee fee to bank by the MSE. |
| Who can apply? | Both existing and new enterprises are eligible under the scheme. |
| How to apply? | Candidates meeting the eligibility criteria may approach banks / financial institutions, and select Regional Rural Banks which are eligible under the scheme. Web links are www.dcmsme.gov.in/schemes/sccrguarn.htm |

4. Interest Subsidy Eligibility Certificate (ISEC)

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| Description | The Interest Subsidy Eligibility Certificate (ISEC) Scheme is an important mechanism of funding khadi programme undertaken by khadi institutions. It was introduced to mobilise funds from banking institutions for filling the gap between the actual fund requirements and availability of funds from budgetary sources. |
| Assistance | Under the ISEC Scheme, credit at a concessional rate of interest of 4% per annum for working capital, is made available as per the requirement of the institutions. The difference between the actual lending rate and 4% is paid by the Central Government through KVIC to the lending banks. |
| Who can apply? | The Khadi institutions, having valid Khadi certificate and sanctioned khadi programme. The Institutions registered with the KVIC/State Khadi and Village Industries Boards (KVIBs) can avail of financing under the ISEC Scheme, the Scheme supports only the khadi and the polyvastra sector. |
| How to apply? | The Khadi institutions will apply to the financing bank for working capital alongwith the ISEC certificate issued by KVIC. Based on the working capital sanctioned, financing bank will raise the reimbursement claim to the nodal branch for the differential interest rate over and above 4%. |

B) Research and Development Scheme

After getting the due funds, the next area that startups struggle with is research and development. A startup which is continuously dealing with innovation or technology has to heavily invest in research and development. A startup dealing with artificial intelligence without R&D team cannot survive. While most of the startups undergo huge research before launching a product, after the launch they simply concentrate on the product and eventually lose their relevance. In order to save the entrepreneurs, the government has launched the following schemes:

- **Promoting Innovations in Individuals, Startups, and MSMEs (PRISM)**

This policy is launched by Department of Science and Industrial Research to support individual innovators with various financial grants. Under this scheme, funds are directly provided to the innovators with centres like SIIC, IITK which are playing a key role as processing and monitoring agencies. SIIC has been known to facilitate more than 17 innovators with the financial aid of 1 crore in the previous schemes. Under PRISM, another policy, a maximum grant of Rs. 50 Lakhs for developing prototypes is permissible.

[PRISM](#) offers a grant of maximum amount of Rs. 50 Lakhs for developing prototypes under different categories. The proposals shall preferably be considered under the following focus sectors:

- Green Technology.
- Clean Energy.
- Industrially Utilizable Smart Materials.
- Waste to Wealth.
- Affordable Healthcare.
- Water & Sewage Management.
- Any other technology or knowledge intensive area.

C) Schemes for Technology Upgrade

Apart from research and development, startups struggle the most to stay at par with the international competition. In the longer run, it doesn't work out. The technology they started with becomes obsolete or has a depreciating effect on the productivity. However, these schemes can help you sail through this low:

- **Capital Subsidy Support on Credit for Technology Upgradation**

A scheme designed to upgrade your business and matching up to the global standards, this scheme by MSME is a boon for your new business. The aim of this scheme is to provide credit/loan for upgrading the technology, at convenient rates. The scheme not only provides subsidy up to 15% of the capital but also has a provision for loans up to 1 Crore.

There are a lot of policies which are meant to help you with the technological update. A few of them like Technology Development Program, Infrastructure Development Scheme, Atal Incubation Centres, etc. are all developed and designed to ensure that the startups don't suffer because of technological hush-hush.

D) Intellectual Property Protection Schemes

It is undeniable that India is leaving absolutely no room to make a mark in the international plenary in terms of technological advancement. However, given our past, it is in the alfresco that various countries have time and again claimed rights over our innovations. Intellectual property (IP) protection is one area one need to be extremely cautious about.

Realising the importance of IP protection, for the first time government is trying it's best to ensure that the history doesn't repeat itself via these policies:

- **Support for International Patent Protection in Electronics & Information Technology**

Ministry of Electronics and Information Technology launched this scheme to enable startups to acquire support for International Patent Protect and encourage innovation. This is an attempt to assess the value and potential of the global intellectual property in addition to get a hold of opportunities in the Information Technology and Electronics sector. The government has launched this scheme in two phases:

1. Support for International Patent Protection in E&IT
2. Scheme to Support IPR Awareness Seminars/Workshops in E&IT Sector

E) Scheme for Marketing

Marketing is one of the biggest challenges for a startup. While most of the companies think that sales is a hurdle and once there is a stable market they can be successful, however, what most don't realize is that sales are not possible without marketing. Even if they realize, they are generally out of funds to support marketing vertical. The government has come up with the following policy to overcome this challenge:

- **Scheme for Providing Financial Assistance For Marketing Support**

A scheme specifically designed to provide institutional support to Micro, Small and Medium Enterprises, this scheme's objective is to facilitate the formation of a consortium of MSMEs to market their goods and services. The scheme is designed to enhance competitiveness and marketability of their products through National Small Industries Corporation (NSIC). Apart from offering assistance towards airfare, space rental & shipping/transportation charges the scheme offers 20% of the total subsidy admissible under advertisement, publicity and theme pavilion subject to a maximum of Rs. 20 Lakh.

Women Entrepreneurship

The empowerment of women continues to be a central feature in an effort to address social, economic and political challenges across the globe.

To celebrate the spirit of Women Entrepreneurship, Startup India is engaging in multiple activities to support early stage women startups and aspiring entrepreneurs.

- **Support to Training and Employment Program for Women (STEP)**

As the name clearly recommends, this **startup policy of the government** is fundamentally women oriented. STEP was presented by the Government of India's Ministry of Women and Child Development. The basic role of the policy is to instruct and train women who don't approach formal ability training, especially focusing on the rural area. The initiative was begun 30 years back and as of late the Guidelines of the plan have been redrafted as indicated by the present day situation. The program gives information and training in different fragments including food processing, agribusiness, agriculture, handlooms, customary artworks like weaving, computer, travel and tourism, and IT services.

Conclusion

In terms of the number of startups, India is at third rank after the US and Britain that has been developed expansively since the Government has begun taking substantial steps for them. In the previous few years, the Government has initiated over 50+ **startup policies**, each of which is heading towards enhancing the Indian startup ecosystem.