**INTRODUCTION**

A startup or start-up is a company or project initiated by an entrepreneur to seek, effectively develop, and validate a scalable business model. While entrepreneurship refers to all new businesses, including self-employment and businesses that never intend to grow big or become registered, startups refer to the new businesses that intend to grow large beyond the solo founder.Startups face high uncertainty and have high rates of failure, but a minority of them do go on to be successful and influential. Some startups become unicorns, i.e. privately held startup companies valued at over US$1 billion.

Startups typically begin by a founder (solo-founder) or co-founders who have a way to solve a problem. The founder of a startup will begin market validation by problem interview, solution interview, and building a minimum viable product (MVP), i.e. a prototype, to develop and validate their business models. The startup process can take a long period of time (by some estimates, three years or longer), and hence sustaining effort is required. Sustaining effort over the long term is especially challenging, because of the high failure rates and uncertain outcomes.

A startup is a young company founded by one or more entrepreneurs in order to develop a unique product or service and bring it to market. By its nature, the typical startup tends to be a shoestring operation, with initial funding from the founders or their families.

**KEY TAKEAWAYS**

* A startup is an entrepreneurial venture in search of enough financial backing to get off the ground.
* The first challenge for a startup is to prove the validity of the concept to potential lenders and investors.
* Startups are always risky propositions but potential investors have several approaches to determining their value.
* One of the startup's first tasks is raising a substantial amount of money to further develop the product. In order to do that, they have to make a strong argument, if not a prototype, that supports their claim that their idea is truly new or better than anything else on the market.

**Understanding the Startup**

In the early stages, startup companies have little or no revenue coming in. They have an idea, and they have to develop it, test it, and market it. That takes considerable money, and startup owners have several potential sources to tap.

Traditional funding sources include small business loans from banks or credit unions, government-sponsored Small Business Administration loans from local banks, and grants made by nonprofit organizations and state governments.

So-called incubators, often associated with business schools and other nonprofits, provide mentoring, office space, and seed funding to startups.

Venture capitalists and angel investors actively seek out promising startups to bankroll in return for a stake in the company once it gets off the ground.

**Valuing the Startup**

Startups have no history and less profit to show. That makes investing in them risky. If an idea seems to have merit, potential investors may use any of several approaches to estimate how much money it could take to get it off the ground.

The cost to duplicate approach looks at the expenses the company has already incurred to develop its product or service and purchase physical assets. This valuation method doesn't consider the company's future potential or intangible assets.

The market approach considers the acquisition costs of similar companies in the recent past. This approach may be stymied if the startup idea really is unique.

The discounted cash flow approach looks at the company's expected future cash flow. This approach is highly subjective.

The development stage approach assigns a higher range of potential value to a startup that is more fully developed. Even if it's not profitable, a startup that has a website and can show some sales and traffic would get a higher valuation than one that merely has an interesting idea.

Because startups have a high failure rate, would-be investors consider the management team's experience as well as the idea. Even angel investors don't invest money they cannot afford to lose.

**Some Successful Startups**

Some of history's most successful entrepreneurs created startups called Microsoft, founded by Bill Gates, Ford Motors, founded by Henry Ford, and McDonald's, founded by Ray Kroc.

Here are some startups that you may not have heard of yet, but LinkedIn bets that you will someday. They are among its picks for 2018's Top Startups.

Rubrik, a cloud data management company founded in 2014

Aurora, a developer of hardware and software for self-driving vehicles

Glossier, a skincare and beauty product company

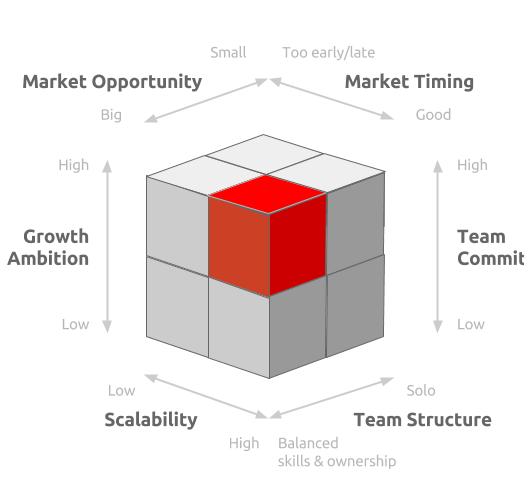
Ripple, a network that uses blockchain technology to process currency exchange transactions

**Why Startups?**

Startups are “optimal” vehicles to validate and bring new innovations to the markets. Especially more disruptive innovations. Startups encapsulate all but only relevant things for what's needed to build new innovations with minimum “wasted resources” combined with maximum drive & motivation.

Startups create most of new jobs, attract international talent and foreign direct investments. “Over the last twenty-five years, almost all of the private sector jobs have been created by businesses less than five years old. Between 1988 and 2011, companies more than five years old destroyed more jobs than they created in all but eight of those years.” - Source: study by Kauffman Foundation and the Institute for Competitiveness & Prosperity

**Ideas are cheap. Execution is everything. It’s all about the people,’ I only invest when I think I have found the right team for the right business.” – Chris Sacca**



**Action Plan of Startup India Scheme**

The action plan of Startup India is based on the following factors:

**1. Simplification of Work**

This initiative simplifies the work for the new entrants in order to motivate them. This includes following steps taken by the government:

Firstly, the government has set-up Startup India hubs where all the works related to incorporation, registration, grievance handling, etc.

Secondly, an application and an online portal is set-up by the government to facilitate registration from anywhere and anytime.

Thirdly, the patent acquisition and registration is now fast for the startups.

Lastly, according to the Insolvency and Bankruptcy Bill, 2015 facilitates fast winding up of the startups. A new startup can wind-up itself within 90 days of the incorporation.

**2. Finance Support**

In order to motivate the startups, the government provides various financial supports. These steps taken by the government are as follows:

The government has set up a corpus of Rs.10,000 crores for 4 years (Rs.2500 crore each year). From such fund, the government invests in various startups.

Special funds are provided, investment in which leads to exemption from the income tax on the Capital Gain.

Income tax exemption is available for the startups for the first 3 years after the incorporation.

Under The Income Tax Act, where a Startup (company) receives any consideration for issue of shares which exceeds the Fair Market Value of the shares, such excess consideration is taxable in the hands of the recipient as Income from Other Sources.

Investment by venture capital funds in Startups is exempted from the application of this provision. The same extends to the investment made by incubators in the Startups.

You can get all the notifications of Startup India action plan here.

**Browse more Topics under Government Initiatives For Business Development**

• SETU (Self Employment and Talent Utilization)

**Benefits of Startup India**

• Financial Benefits

• Income Tax Benefits

• Registration Benefits

• Government Tenders

• Huge Networking Opportunities

**1. Financial Benefits**

Most of the startups are patent based. It means they produce or provide unique goods or services. In order to register their patents, they have to incur a heavy cost which is known as the Patent Cost.

Under this scheme, the government provides 80% rebate on the patent costs. Moreover, the process of patent registration and related is faster for them. Also, the government pays the fees of the facilitator to obtain the patent.

**2. Income Tax Benefits**

Startups enjoy a good amount of benefits under the Income Tax head. The government exempts their 3 years income tax post the incorporation year.

But they can avail it only after getting a certificate from the Inter-Ministerial Board. Also, they can claim exemption from tax on Capital Gains if they invest money in specified funds.

3. Registration Benefits

Everyone believes that incorporation and registration of business are far more difficult than running it. It is because of the long and complex steps of registration.

Under the Startup India scheme, an application is there to facilitate registration. A single meeting is arranged to at the Start-up India hub. Also, there is a single doubt and problem-solving window for them.

**4. Government Tenders**

Everyone seeks to acquire Government tenders because of high payments and large projects. But it is not easy to acquire the government tenders.

Under this scheme, the startups get priority in getting government tenders. Also, they are not required to have any prior experience.

**5. Huge Networking Opportunities**

Networking Opportunities means the opportunity to meet with various startup stakeholders at a particular place and time. The government provides this opportunity by conducting 2 startups fests annually (both at domestic as well as the international level).

Startup India scheme also provides Intellectual Property awareness workshop and awareness.

**Registration of the Startup can be done only from following types of companies**

1. Partnership Firm

2. Limited Liability Partnership Firm

3. Private Limited Company

**Eligibility for Registration under Startup India Scheme**

1. Firstly, the company to be formed must be a private limited company or a limited liability partnership firm.

2. Secondly, the firms should have obtained approval from the Department of Industrial Policy and Promotion.

3. Thirdly, it must have a recommendation letter by an incubation.

4. The firm must provide innovative schemes or products.

5. It should be a new firm or not older than five years.

6. The total turnover of the company should be not exceeding 25 crores.

7. Lastly, it should not be a result of splitting up, or reconstruction, of a business already in existence.