

## **Entrepreneurship and E-Business**

### **Assignment No. 5**

**Aim:** Summary of the schemes available under startupindia - <https://www.startupindia.gov.in/>

The schemes that are available under startupindia are:

- Startup India Seed Fund Scheme
- Government Schemes

### **Startup India**

Startup India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large-scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design.

### **Overview of Startup India Action plan**

In order to meet the objectives of the initiative, the Government of India Action Plan that addresses all aspects of the Startup ecosystem has been announced. With this Action Plan the Government hopes to accelerate the spreading of the Startup movement:

- *From the digital / technology sector to a wide array of sectors including agriculture, manufacturing, social sector, healthcare, education, etc.*
- *From existing tier 1 cities to tier 2 and tier 3 cities including semi-urban and rural areas.*

The Action Plan is divided across the following areas:

- *Simplification and Handholding*
- *Funding Support and Incentives*
- *Industry-Academia Partnership and Incubation*

### **Highlights of the action plan**

#### **1. Simplification and Handholding**

- **Compliance Regime based on Self-Certification:** Startups shall be allowed to self-certify compliance (through the Startup mobile app) with 9 labor and environment laws. In the case of the labor laws, no

inspections will be conducted for a period of 3 years. Startups may be inspected on receipt of credible and verifiable complaints of violation, filed in writing, and approved by at least one level senior to the inspecting officer.

- **Startup India Hub:** To create a single point of contact for the entire Startup ecosystem and enable knowledge exchange and access to funding.
- **Rolling-out of Mobile App and Portal:** To serve as the single platform for Startups for interacting with Government and Regulatory Institutions for all business needs and information exchange among various stakeholders.
- **Legal Support and Fast-tracking Patent Examination at Lower Costs:** Under this scheme, the Central Government shall bear the entire fees of the facilitators for any number of patents, trademarks, or designs that a Startup may file, and the Startups shall bear the cost of only the statutory fees payable.
- **Relaxed Norms of Public Procurement for Startups:** In order to promote Startups, Government shall exempt Startups (in the manufacturing sector) from the criteria of “prior experience/turnover” without any relaxation in quality standards or technical parameters.
- **Faster Exit for Startups:** Startups may be wound up within a period of 90 days from making of an application for winding up on a fast track basis, as per the recently tabled Insolvency and Bankruptcy Bill 2015, which has provisions for voluntary closure of businesses.

## 2. Funding Support and Incentives

- **Providing Funding Support through a Fund of Funds with a Corpus of INR 10,000 crore:** In order to provide funding support to Startups, Government will set up a fund with an initial corpus of INR 2,500 crore and a total corpus of INR 10,000 crore over a period 4 years (i.e. INR 2,500 crore per year).
- **Credit Guarantee Fund for Startups:** The credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/ SIDBI is being envisaged with a budgetary Corpus of INR 500 crore per year for the next four years.
- **Tax Exemption on Capital Gains:** With this objective, the exemption shall be given to persons who have capital gains during the year, if they have invested such capital gains in the Fund of Funds recognized by the Government. In addition, existing capital gain tax exemption for investment in newly formed manufacturing MSMEs by individuals shall be extended to all Startups.

- **Tax Exemption to Startups for 3 years:** The profits of Startup initiatives are exempted from income tax for a period of 3 years. The exemption shall be available subject to non-distribution of dividend by the Startup.
- **Tax Exemption on Investments above Fair Market Value:** Under The Income Tax Act, 1961, where a Startup (company) receives any consideration for issue of shares that exceeds the Fair Market Value (FMV) of such shares, such excess consideration is taxable in the hands of recipient as Income from Other Sources.

### 3. Industry-Academia Partnership and Incubation

- **Organizing Startup Fests for Showcasing Innovation and Providing a Collaboration Platform:** To bolster the Startup ecosystem in India, the Government is proposing to introduce Startup fests at national and international stages.
- **Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program:** The Atal Innovation Mission will establish sector-specific incubators and 500 'Tinkering Labs' to promote entrepreneurship, provide pre-incubation training and a seed fund for high-growth startups.
- **Harnessing Private Sector Expertise for Incubator Setup:** To ensure professional management of Government sponsored/funded incubators, Government will create a policy and framework for setting-up up incubators across the country in a public-private partnership.
- **Building Innovation Centres at National Institutes:** In order to augment the incubation and R&D efforts in the country, the Government will set up/scale-up 31 centers (to provide facilities for over 1,200 new Startups) of innovation and entrepreneurship at national institutes.
- **Setting up of 7 New Research Parks Modeled on the Research Park Setup at IIT Madras:** The Government shall set up 7 new Research Parks in institutes with an initial investment of INR 100 crore each. The Research Parks shall be modeled based on the Research Park setup at IIT Madras.
- **Promoting Startups in the Biotechnology Sector:** 5 new Bio-clusters, 50 new Bio-Incubators, 150 technology transfer offices, and 20 Bio-Connect offices will be set up in research institutes and universities across India. BIRAC AcE Fund in partnership with National and Global Equity Funds will provide financial assistance to young Biotech Startups.

- **Launching of Innovation Focused Programs for Students:** An innovation core program targeted at school kids aims to source 10 lakh innovations from five lakh schools, out of which the best 100 would be shortlisted and showcased at an Annual Festival of Innovations, to be held in Rashtrapati Bhavan.
- **Annual Incubator Grand Challenge:** The government will identify and select ten incubators, evaluated pre-defined Key Performance Indicators (KPIs) as having the potential to become world-class, and give them Rs.10 crore each as financial assistance to ramp up their infrastructure.

## **Startup India Seed Fund Scheme**

### **Need For Startup India Seed Fund Scheme**

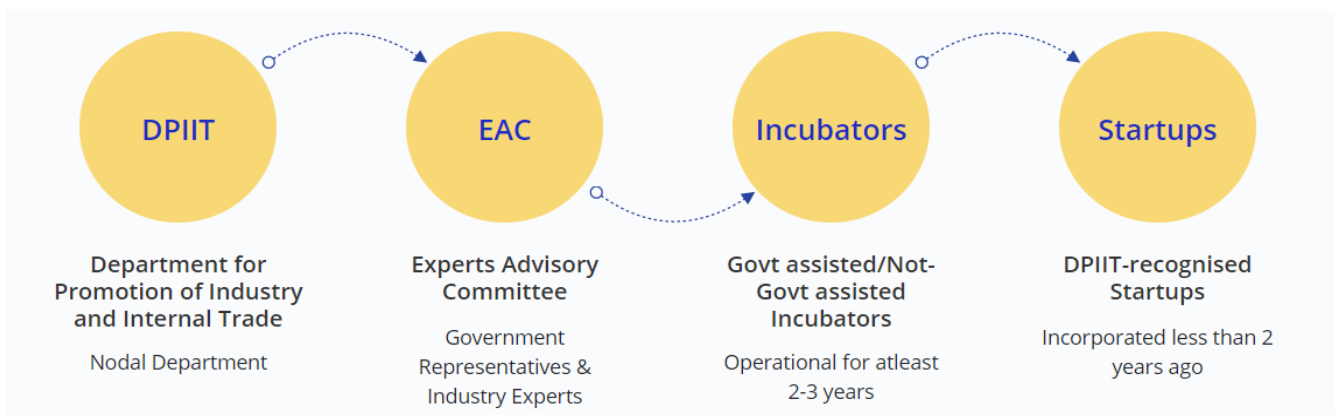
Easy availability of capital is essential for entrepreneurs at the early stages of the growth of an enterprise. Funding from angel investors and venture capital firms becomes available to startups only after the proof of concept has been provided. Similarly, banks provide loans only to asset-backed applicants. It is essential to provide seed funding to startups with innovative ideas to conduct proof of concept trials.

### **Objective Of The Scheme**

Startup India Seed Fund Scheme (SISFS) aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market-entry, and commercialization. This would enable these startups to graduate to a level where they will be able to raise investments from angel investors or venture capitalists or seek loans from commercial banks or financial institutions.

### **How Startup India Seed Fund Will Operate**

The Startup India Seed Fund Scheme was launched by Honourable Shri Piyush Goyal on 19th April 2021. The Seed Fund will be disbursed to eligible startups through eligible incubators across India.



## Features Of Startup India Seed Fund Scheme

- *Year-round 'Call for Applications' for Incubators and Startups*
- *Sector-agnostic*
- *No mandatory physical incubation*
- *PAN-India startup program*
- *Startups can apply to 3 incubators simultaneously*

## An Experts Advisory Committee

An Experts Advisory Committee (EAC) has been constituted by Department for Promotion of Industry and Internal Trade (DPIIT), which will be responsible for the overall execution and monitoring of the Startup India Seed Fund Scheme. The EAC will evaluate and select incubators for the allotment of Seed Funds, monitor progress, and take all necessary measures for efficient utilization of funds towards the fulfillment of objectives of the Startup India Seed Fund Scheme.

## Eligibility Criteria

### 1. Startups

- A startup, recognized by DPIIT, incorporated not more than 2 years ago at the time of application. To get DPIIT-recognized, please visit <https://www.startupindia.gov.in/content/sih/en/startupgov/startup-recognition-page.html>
- The startup must have a business idea to develop a product or a service with a market fit, viable commercialization, and scope of scaling.
- The startup should be using technology in its core product or service, or business model, or distribution model, or methodology to solve the problem being targeted.
- Preference would be given to startups creating innovative solutions in sectors such as social impact, waste management, water management, financial inclusion, education, agriculture, food processing, biotechnology, healthcare, energy, mobility, defense, space, railways, oil and gas, textiles, etc.
- A startup should not have received more than Rs 10 lakh of monetary support under any other Central or State Government scheme. This does not include prize money from competitions and grand challenges, subsidized working space, founder monthly allowance, or access to prototyping facility.

- Shareholding by Indian promoters in the startup should be at least 51% at the time of application to the incubator for the scheme, as per Companies Act, 2013 and SEBI (ICDR) Regulations, 2018.
- A startup applicant can avail of seed support in the form of grants and debt/convertible debentures each once as per the guidelines of the scheme.

## 2. Incubators

- The incubator must be a legal entity:
  - *A society registered under the Societies Registration Act 1860, or*
  - *A Trust registered under the Indian Trusts Act 1882, or*
  - *A Private Limited company registered under the Companies Act 1956 or the Companies Act 2013, or*
  - *A statutory body created through an Act of the legislature.*
- The incubator should be operational for at least two years on the date of application to the scheme.
- The incubator must have facilities to seat at least 25 individuals.
- The incubator must have at least 5 startups undergoing incubation physically on the date of application.
- The incubator must have a full-time Chief Executive Officer, experienced in business development and entrepreneurship, supported by a capable team responsible for mentoring startups in testing and validating ideas, as well as in finance, legal, and human resources functions.
- The incubator should not be disbursing seed funds to incubatees using funding from any third-party private entity.
- The incubator must have been assisted by the Central/State Government(s).
- In case the incubator has not been assisted by the Central or State Government(s):
  - *The incubator must be operational for at least three years.*
  - *Must have at least 10 separate startups undergoing incubation in the incubator physically on the date of application.*
  - *Must present audited annual reports for the last 2 years.*
- Any additional criteria may be decided by the Experts Advisory Committee (EAC).

## **Government Schemes**

To establish this girth in the development of startups, over 100 government schemes have been introduced in India already. Here are the top 13 government schemes for startups:

### **1. Support for International Patent Protection In Electronics and Information Technology (SIP-EIT)**

Headed by the Department of Electronics and Information Technology (DeitY), the SIP-EIT aims at:

- *Providing financial aid to MSMEs and technology startups.*
- *Formulating international patent filings.*
- *Revitalizing the ethics of innovation.*
- *Acknowledging the capabilities of global IP.*
- *Seizing growth opportunities in ICTE sectors.*

The refunding will be limited to 15lakhs INR or 50% of total expenses in filling out patent applications.

### **2. National Clean Energy Fund (NCEF) Refinance**

Headed by the Indian Renewable Energy Development Agency (IREDA), The NCEF aims at:

- *Reviving the existing operations of small hydropower projects and biomass power by bringing down the cost of financing.*
- *This can be done by introducing refinancing at economic rates of interest.*
- *The funding is extracted from the NCEF.*

The maximum refinancing amount is set to INP 15cr per project. Refinancing should not exceed 30% of the loan and is cited at 2% interest rate from IREDA to the respective banks and financial institutes.

### **3. Multiplier Grants Scheme (MGS)**

Headed by the Department of Electronics and Information Technology (DeitY), MGS strives at:

- *Initiating inter-organizational R&D collaborations between industries and education for better insight.*
- *Regulating development of products and packages through R&D institutions.*

The government has made very specific announcements for the financial incentives associated with MGS. The individual industry should be limited to 2cr per project for a time period of 2 years. The collective industries should be limited at 4cr per project for a 3 year time period.

#### **4. Modified Special Incentive Package Scheme (M-SIPS)**

Headed by the Department of Electronics and Information Technology (DeitY), M-SIPS aims at:

- *Spreading awareness about Intellectual Property Rights among various stakeholders in the E&IT sector.*
- *Supporting IPR workshops and seminars to spread awareness.*

The Indian Government provides for a capital subsidy of 20% for SEZ units and 25% for non-SEZ units. It is centred around electronic manufacturing. Additionally, it provides for reimbursements for capital excise by non-SEZ units.

#### **5. Performance and Credit Rating Scheme**

Headed by the National Small Industries Corporation, the Performance and Credit Rating Scheme aims at:

- *Elucidating on a SWOT analysis of small-scale industries.*
- *Legitimately formed under the Ministry of MSME along with leading stakeholders to boost business in small-scale industries.*

If the ratings are 50lakhs, 25,000INR will be contributed. For turnover of 200lakhs, 30,000 INR will be contributed and for turnover of 400 lakhs, 40,000 INR will be contributed.

#### **6. Raw Material Assistance**

Headed by the National Small Industries Corporation (NSIC), the Raw Material Assistance Scheme aims at:

- *Assisting MSMEs by providing financial assistance.*
- *This financial assistance is provided for the purchase of necessary raw materials for production.*
- *The financial assistance provided to these MSMEs will allow these companies to focus on manufacturing.*

The MSMEs will be aided by the government to undertake bulk purchases and cash discounts. Additionally, all documentation and call of action for the procedures will be taken care of. This is just to ensure that these MSMEs will solely focus on the production and manufacturing process.



## 7. Aspire-Scheme for promotion of Innovation, Entrepreneurship, and Agro-Industry

Headed by the Steering Committee under the Ministry of MSME, Aspire aspires to:

- *Set up technology and networking sectors, as well as incubation centers.*
- *These centers are to be set up by the Steering Committee to develop the spirit of entrepreneurship in the rural-agro-based economy.*
- *Setting up of TBIs or Technology Business Incubators.*

In order to support the 20 incubation centers that have been set up, a one-time grant of 50% of the Plant and Machinery will be provided. This equates to INR 30 lakhs, which is more than enough for the skillful orientation of these incubator centers.

## 8. Coir Udyami Yojana

Headed by the Coir Board, the Coir Udyami Yojana strives to:

- *Set up a coir program project worth INR 10 lakhs.*
- *Additionally, one cycle of working capital is to be provided for capital assistance by commercial banks and financial institutions. This cost should not exceed 25% of the entire project cost (INR 10 lakhs).*

Commercial banks and financial institutions will aid with the capital requirements through term loans. As for the working capital, the banks will incur this amount with cash credit. Credit will be 55% of the entire project cost. This equation will be determined after slashing 40% of margin money as a subsidy.

## 9. International Corporation (IC) Scheme

Headed by the Office of the Development Commissioner (MSME), IC's major aim is to:

- *Provide basic legal financial assistance.*
- *This financial assistance is to induce performance initiative of MSME companies by aiding them for travel and marketing in monetary perspectives.*
- *This is aimed towards the growth and development of MSMEs on a global platform. To promote this global initiative, this scheme provides financial assistance for exports and other international operations.*

MSME gets a 100% economy class airfare benefit for all its export operations. The off-bearer of the respective organization gets an allowance of INR150 daily.

### 10. Bank Credit Facilitation Scheme

Headed by the National Small Industries Corporation, The Bank Credit Facilitation Scheme aims at:

- *Meeting the credit expectations of the respective MSMEs without imposing any cost on the MSMEs.*
- *For this purpose, the government has signed up with various nationalized as well as private sector banks to provide these necessary funds.*

The repayment time period is set at 5 to 7 years from the date and time of its application.

### 11. Udaan Training Programme for Unemployed Youth of J&K

Headed by the National Skill Development Corporation (NSDC), Udaan aims at:

- *Providing a training course for 5 years in sectors like software, BPO, and Business Management. This is meant for J&K citizens specifically.*
- *It aims to train over 40,000 youth over the period of 5 years.*

A sum of 750cr INR has been fixed for funding to these training sessions for a period of 5 years. This fund covers basic expenses of boarding, travel cost, travel, medical facilities, etc.

### 12. Loan for Rooftop Solar PV Power Projects

Headed by the Indian Renewable Energy Development Agency (IREDA), this government scheme for startups aims at:

- *Supporting all solar energy PV-related projects with physical and financial assistance.*

The loan will be 70% of the total cost of the project with 30% of the promoter's contribution. The minimum time for repayment will be 9 years. The maximum construction period is 12 months from the date of the loan application.

### 13. Dairy Entrepreneurship Development Scheme

Headed by the National for Agriculture and Rural Development (NABARD), this government scheme seeks to:

- *Introducing structural changes in the process of production of milk.*

- *Altering the structure at the grass-root level itself.*
- *Bringing about the commercialization of milk production with advanced technology.*

The benefits highly depend on the capital requirements for undertaking individual projects- technically starting at 25% of the total overlay and then building it up from when required.

### **Other Government Schemes**

- *Venture Capital Scheme - Ministry of Agriculture*
- *Single Point Registration Scheme (SPRS) - Ministry of Micro, Small and Medium Enterprises*
- *4E (End to End Energy Efficiency) - Small Industries Development Bank of India (SIDBI)*
- *Extra Mural Research or Core Research Grant - Ministry of Science & Technology*
- *High Risk -High Reward Research - Department of Science & Technology*
- *Biotechnology Ignition Grant (BIG) - Biotechnology Industry Research Assistance Council (BIRAC)*
- *Assistance to Professional Bodies & Seminars/Symposia - Department Of Science & Technology*
- *MUDRA Bank - Ministry of Finance*
- *Ministry of Skill Development and Entrepreneurship*
- *ATAL Innovation Mission - Ministry of Housing and Urban Affairs*
- *eBiz Portal*

India is progressively evolving into an ideal economy for nurturing a startup ecosystem and is only third to the UK and the USA in the global market for startups. These government schemes for startups will prove to be a strong ladder for any upcoming enterprise looking to successfully climb the startup market in India.