



उद्योग संवर्धन और आंतरिक व्यापार विभाग
DEPARTMENT FOR
**PROMOTION OF INDUSTRY
AND INTERNAL TRADE**

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Promotion of Startups in India





“

India's own ecosystem of startups is evolving rapidly. It is driven by the energy, enterprise and innovation of our youth. We have a huge market with rapid growth and untapped opportunities in every sector.

”

- Hon'ble Prime Minister
Narendra Modi

Introduction

The Startup India Action Plan was launched in January 2016 by the Hon'ble Prime Minister. The action plan consisted of 19 action items spanning across three key areas of 'Simplification and Handholding', 'Funding Support and Incentives', and 'Industry-academia Partnerships and Incubation'.

Under the provisions of this plan, startups are entitled to benefits such as tax incentives, prioritisation of startups in public procurement, availing assistance of a self-certification compliance system with respect to labour and environmental laws and exemption from inspections of their place of business. The action plan also envisaged a common platform for stakeholders to interact, facilitation for funding support, and partnership with academia and private sector entities. Some other key benefits that the Action Plan included were entitlement to an 80% rebate in patent registration fees as well as a 50% rebate in trademark filing. Startups could also benefit from faster exit norms and free of cost assistance provided by patent and trademark facilitators in filing for Intellectual Property Rights (IPRs). The requirement of prior turnover and prior experience has been relaxed to encourage startups to participate in tenders and startups have been exempted from the requirement of earnest money deposit.

Need for Reforms

Startup India was set up under the Department for Promotion of Industry and Internal Trade (DPIIT) to hand hold and build a strong ecosystem for promoting innovation drive, provide support to startup ventures, streamline incentive disbursals, encourage sustainable economic growth and create large scale employment opportunities in the country. Under the initiative, the Startup India portal was operationalized, which provides networking opportunities, access to Government and private startup programs, information on Government schemes, learning programs, etc. Also, the scope of definition of Startups was broadened to include scalable business models with high potential of employment generation or wealth creation. Additionally, the requirement of letter of recommendation from an incubator/ industry association was also removed to avail benefits offered under the initiative.

Funding Assistance to Startups

FUND OF FUNDS FOR STARTUPS (FFS)

The Fund of Funds for Startups (FFS) was approved and established in June 2016 with a corpus of Rs 10,000 crore to provide a much-needed boost to the Indian startup ecosystem and enable access to domestic capital. The Fund of Funds does not directly invest in startups, instead provides capital to SEBI-registered Alternative Investment Funds (AIFs), known as daughter funds, who in turn invest money in growing Indian startups through equity and equity-linked instruments. SIDBI has been given the mandate of managing this Fund through selection of suitable daughter funds and overseeing the disbursal of committed capital.

- As of 01 December 2020, SIDBI has committed Rs. 4326.95 crore to 60 AIFs that have raised a corpus of Rs. 31,598 crore
- Amount of Rs. 1270.46 crore has been drawn from FFS and an amount of Rs. 4509.16 crore has been injected to boost over 384 startups.

STARTUP INDIA SEED FUND SCHEME (SISFS)

Startup India Seed Fund Scheme has been approved by the government, with an outlay of Rs 945 Crore to provide financial assistance to startups for Proof of Concept, prototype development, product trials, market entry, and commercialization. It will support an estimated 3,600 entrepreneurs through 300 incubators in the next 4 years. The scheme will be implemented with effect from 1st April 2021.

CREDIT GUARANTEE SCHEME FOR STARTUPS (CGSS)

Credit Guarantee Scheme for Startups has been also formulated in compliance of Hon'ble PM's announcement in Startup India Action Plan. The scheme aims to ease access to early-stage debt for requirements for startups. Total corpus of the scheme will be Rs 2000 crore (Rs 500 Cr per annum for 4 years). The objective of Credit Guarantee Scheme for Startups is to provide guarantee up to a specified limit against credit instruments extended by Member Institutions for startup financing. CGSS addresses the need to provide debt support to startups by RBI regulated banks/NBFCs and SEBI registered AIFs.

Ease of Doing Business

REGULATORY REFORMS

Redressal of regulatory issues requires continuous and deep engagement between the Government departments, Startups, and stakeholders of the ecosystem. Department for Promotion of Industry and Internal Trade (DPIIT) engages with stakeholders on a regular basis to invite consultations on regulatory issues raised by Startups, investors and others in the ecosystem. These issues and recommendations are further shared with the concerned departments to bring about the necessary resolution and reforms. As part of the measures for mitigating the genuine difficulties of Startups, a dedicated cell was set up by CBDT on 30.08.2019 for addressing the specific problems of Startups. The Cell works towards redressal of grievances and mitigate tax-related issues in case of Startup entities with respect to administration of the Income-tax Act, 1961.

- DPIIT had constituted the 'National Startup Advisory Council' on 21st January 2020 to advise the Government on measures needed to build a strong ecosystem for nurturing innovation and startups in the country to drive sustainable economic growth and generate large scale employment.
- 42 regulations have been simplified since the launch of the Startup India initiative highlighting various reforms and incentives in the interest of stakeholders.

STATES' STARTUP RANKING FRAMEWORK

Launched in April 2017, States' Startup Ranking Framework is a first-of-its-kind initiative to harness the strength of competitive federalism and create a flourishing startup ecosystem in the country. The major objectives of the ranking exercise are facilitating states to identify, learn and adopt good practices, highlighting the policy intervention by states for promoting startup ecosystems and fostering competitiveness among states to create the best Startup ecosystem. Two rounds of State ranking exercise have been conducted till date with far-reaching impact across the startup ecosystem of the country.

- The 2018 edition, first one, was spread across 7 reform areas having 38 action points and witnessed participation of 27 States and 3 UTs. 40,000 calls were made in 9 different languages to seek feedback and 95 good practices were identified.
- The 2019 edition was spread across 7 reform areas having 30 action points and 22 States and 3 UTs participated. 60,000+ calls were made in 11 different languages to seek feedback and 166 good practices were identified.
- States' Startup Ranking Framework 2020, the third edition is spread across 7 reform areas having 26 action points. Nationwide capacity building programs shall be conducted for State government officials.

STATES/UTS PORTAL API INTEGRATION

The API Integration exercise is an effort to simplify the startup recognition process for States and improve the information sharing mechanism between Startup India and State startup nodal agencies. The key beneficiaries from this exercise are startups, which no longer have to spend time filling State recognition forms with the same details as filled in their DPIIT recognition form, duplication of effort has been removed from the process. The States also benefit from this as they will no longer have to verify the information auto-populated in their recognition forms as it would have already been verified by Startup India before issuing the DPIIT recognition certificate. So far, API integration of 10 states portal with Startup India portal has been completed.

NATIONAL STARTUP AWARDS

National Startup Awards was announced in 2019 with the aim to recognize and reward outstanding startups that are building innovative products, solutions, or scalable enterprises with a high potential to generate employment, create wealth and demonstrate measurable social impact. The results of the first edition of the National Startup Awards were declared on 6th October 2020 by the Hon'ble Minister of Railways and Commerce & Industry. 32 startups, 1 incubator and 1 accelerator were recognized as winners in their respective categories.

- The first edition witnessed an overwhelming participation from 1641 startups belonging to 27 States and UTs of India, 31 incubators and 10 accelerators.
- Applicants included 654 women-led, 165 academic institution based and 331 startups working in rural areas.
- A cash prize of Rs 5 lakh each was awarded to each winner startup and a cash prize of Rs 15 lakh each was awarded to the winner incubator and accelerator.

A holistic framework has been also devised for handholding 192 finalists of NSA 2020, to help these startups in their growth journey, spanning across eight tracks. Support is being provided to the finalists across 8 key tracks viz. Investor Connect, Mentorship, Corporate Connect, Govt. Connect, International Market Access, Regulatory Support, Benefits under Startup India initiative and Startup India Showcase. The Second edition of NSA has been launched and aims to cover the large strata of the Indian startup ecosystem.

Marquee Events

STARTUP YATRA

The Startup India Yatra initiative was launched with an aim to reach Tier 2 and Tier 3 cities of India to search for entrepreneurial talent and help develop the startup ecosystem. It scouted for promising entrepreneurs from non-metropolitan cities and provided them a platform through which they can pursue their entrepreneurial aspirations through incubation and mentorship from renowned institutions to help them leapfrog the limitations of lack of resources in their region. The Yatra engaged with the startup ecosystem through extensive outreach via bootcamps, social media, print and digital platforms. Startup Yatra has been conducted across 23 States in 220 districts impacting 78346 aspiring entrepreneurs. A total of 1,424 incubation offers have been given to the startups as a result of this initiative. Day-long boot camps were conducted which included awareness workshops, idea validation and pitching sessions.

GLOBAL VENTURE CAPITAL SUMMIT

With the vision to strengthen the Indian entrepreneurial ecosystem ties and to boost its visibility, the Startup India Global Venture Capital Summit aims to bring together key players of the innovation ecosystem including representatives from leading domestic and international venture capital funds, Government of India dignitaries and disruptive startups from various sectors at an encounter that is global, integrative and transversal.

- The Global Venture Capital Summit 2018 kicked off in Goa on December 7, 2018. The 1st edition of the Summit brought together over 250 participants from over 9 countries.
- The second edition of the Startup India Global Venture Capital Summit, a two-day event was conducted in Goa from 7th to 8th December 2019. It witnessed 350 participants including 119 investors from 10 countries.

SHANGHAI COOPERATION ORGANIZATION (SCO) STARTUP FORUM

India assumed the chair of the SCO Startup Forum in 2020. The forum aims to promote startups and improve startup ecosystems in the eight Member States namely, India, China, Kazakhstan, Kyrgyzstan, Russia, Pakistan, Tajikistan and Uzbekistan. It envisages to engage startups in all these countries through various entrepreneurial initiatives to enable cross-border learnings to improve startup ecosystems. Launched in October 2020, the event reflected the positive attitude of all member states to nurture innovation. The first ever SCO Startup Forum witnessed participation of over 7,000 users from over 60+ nations.

PRARAMBH

The Prarambh: Startup India International Summit was hosted by DPIIT on January 15-16, 2021. The summit marked the 5th anniversary of the launch of the Startup India Initiative, launched by the Hon'ble Prime Minister, Shri Narendra Modi on 16th January 2016. The summit was also a follow-up to the Hon'ble Prime Minister's announcement at the BIMSTEC Summit in Kathmandu in 2018, where he had offered to organize a Startup Conclave at the regional level.



- Over 1.2 Lakh registrations were received from 56 countries and 1,100 high-quality innovations from Indian and International startups were showcased.
- The two-day long Summit hosted virtually, brought together over 200 marquee speakers from across startup ecosystems within the country, BIMSTEC member states as well as other international geographies.
- The summit hosted 24 sessions covering all aspects of the innovation and entrepreneurship ecosystem.

Startup India Recognition

The Startup India portal allows eligible startups to apply for recognition under DPIIT through a 100% online form. The certificates of recognition are issued to eligible and complete applications within 48-72 working hours. Currently, India has over 44,000 DPIIT recognized startups across 609 districts, having reported creation of more than 4.9 lakh jobs. Also, at least one startup is recognized from each of the 28 States and 8 Union Territories.

OUTCOMES AND IMPACT¹

| Action point | Outcomes and Impact |
|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Compliance Regime Based on Self Certification | <ul style="list-style-type: none"> • Self-certification under six labour and three environment laws • 15 States have complied with the self-certification advisory for five years; 12 States have complied with the advisory for three years • 9 States have integrated their portals with Shram Suvidha Portal • 169 startups have availed the benefits of self-certification • List of 64 startups (self-certified) uploaded on Shram Suvidha Portal • 36 white category industries identified for availing self-certifications |
| Startup India Hub | <ul style="list-style-type: none"> • With over 4.49 Lakh users on the Startup India Hub, an entrepreneur can connect to 648 incubators and 163 accelerators; explore within a pool of 109 investors for fund support; and connect to 53 government entities for availing startup friendly benefits • 446 innovation funding assistance programs in collaboration with various government departments and corporates have been hosted |
| Rolling-out of mobile app & portal | <ul style="list-style-type: none"> • Over 2.01 lakh online queries addressed through the channels linked to the platforms; Over 11,000 daily active users, cumulating to over 2.6 crore website visits since inception • Learning and Development Program accessed by over 2.8 lakh users |
| Legal support & fast-tracking patent examination at lower costs | <ul style="list-style-type: none"> • 5,020 patent applications have been filed; 1,170 patent applications filed for expedited examination by Startups, of these 884 applications have been examined and 459 Patents have been granted; 12,264 trademark applications have been filed • 510 patents and designs facilitators and 392 trademarks facilitators empanelled |

¹ As of December 31st, 2020

| | |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Relaxed norms of public procurement for startups | <ul style="list-style-type: none"> 53,226 orders worth more than Rs. 2,279 crores from public entities have been placed to 7,929 DPIIT startups through GeM Rule 170 (I) OF GFR 2017: exemption from submission of Earnest Money Deposit /Bid Security in public procurement tenders. Rule 173 (I) has been incorporated in GFR, 2017: relaxation of conditions of prior turnover and prior experience for DPIIT-recognised startups in all government tender requests. |
| Tax exemption to startups for three years | <ul style="list-style-type: none"> An eligible startup having turnover up to Rs. 25 crores is allowed deduction of 100% of its profits for three consecutive assessment years out of seven years if the total turnover does not exceed 25 crore rupees. In order to extend this benefit to larger startups, the turnover limit has been increased from existing Rs. 25 crore to Rs. 100 crores. Moreover, considering the fact that in the initial years, a start-up may not have adequate profit to avail this deduction, the period of eligibility for claiming of deduction has been extended from the existing 7 years to 10 years with effect from April 01, 2021. To avail these benefits, a Startup must get a Certificate of Eligibility from the Inter-Ministerial Board (IMB). 319 startups have been granted income tax exemptions. |

COMPARISON OF OUTCOMES: 2016 & 2020

| Category | 2016 ² | 2020 ³ |
|---------------------------------------------------------------------|-------------------|-------------------|
| Recognized Startups | 743 | 41,317 |
| Income Tax Exemption | 8 | 319 |
| Queries Resolved | 43,942 | 2.01 Lacs |
| Hub Users | 84 | 4.49 Lacs |
| Learning and Development Program Users | 78,000 | 2.80 Lacs |
| Applications for Patent support | 207 | 5,020 |
| Policies in States and UTs | 17 | 30 |
| API Integration of State/UT Portal with Startup India Portal | 0 | 10 |

Future Plan

The last 5 years have been monumental in India's entrepreneurship growth story. With collaborations and efforts of the ecosystem at large, the nation is now geared up for the next set of growth under AatmaNirbhar Bharat. The future actionable plan will be important catalysts for directing efforts of the stakeholders at large towards the common objective of making India a global startup hub. This is focused towards promoting innovation in all sectors of economy across the country, protection and commercialization of intellectual property rights, and facilitating public organizations to assimilate innovation for improving public service delivery. Mobilizing global capital for investments in Indian

² As of end of March 31st 2017

³ As of December 31st, 2020

startups and incentivizing domestic capital for investments into startups shall be also focused along with the providing access to global markets for Indian startups. Some of the other key objectives include reducing the compliance burden on startups including the ease of starting up, encouraging establishment of "Startup India Access Centres" at every district to assist innovators, setting up new incubators and accelerators in collaboration with State governments and the private sector, and promoting "Vocal for Local" including development of solutions and content in Indic languages as well as domestic mapping solutions.

"The Startup India team has been instrumental in the growth of the Indian startup ecosystem as it has worked tirelessly to address the concerns of Indian startups and investors and has become a champion for the ecosystem. The work it has actioned on a policy level has made AIFs an attractive asset-class for both Indian and global investors. The recognition of AIFs as a well-regulated, institutional investor has allowed it to gain exemptions from section 56(2) (viib) (dubbed the "Angel Tax") and section 68. By allowing for AIFs to have pass through status on losses, the structure has become more commercially attractive and will go a long way. In India's dream to become a \$ 5 trillion economy by 2025, startups and new-age businesses are supposed to contribute \$ 1 trillion. Startup India's role as an ecosystem enabler will be crucial to achieving this monumental goal."

- **3 one 4 Capital**

"I was immensely surprised and pleased at the same time to see the variety of innovations which came to forefront in one of the challenges which was sponsored by RB. Interestingly, the rural participation of the application was at par with urban cities which itself is a statement to the wide network Startup India has built."

- **Anirudh Hingle, Reckitt Benckiser**

"Anthill Worked with Invest India during its India immersion program held in January 2020. With the goal of enabling Singaporean startups to enter the Indian market, Anthill turned to the Invest India team to guide its cohort of HealthTech startups on Startup India, Government policies and the general landscape. The team did a great job of presenting to the startups and then meeting them one on one to further clarify their questions and to provide advice on their market entry plans. It is our belief that interactions with the Invest India team brought value to our cohort and overall program offering."

- **Zaran Bhargava, Program Manager IPP, Anthill Ventures**

Union Minister Piyush Goyal launches SCO Start-up Forum

By: FE Bureau | October 28, 2020 12:30 AM

Startup India: Modi govt's Rs 945-cr Seed Fund to back 3,600 entrepreneurs through this many incubators

Startups get tax holiday for one more year in Budget 2021



**DEPARTMENT FOR PROMOTION OF
INDUSTRY AND INTERNAL TRADE**
MINISTRY OF COMMERCE AND INDUSTRY
GOVERNMENT OF INDIA