

# **Start-up India: A Governmental Initiative to Boost Entrepreneurship, Growth and Employment Generation**

## **Abstract**

India is a fastest growing economy with a very young population. As per Sample Registration System (SRS) data for 2013 the proportion of economically active population (15-59 years) has increased from 57.7 per cent to 63.3 per cent during 1991 to 2013 and this lead to an advantageous position for India and termed as Demographic Dividend (Economic Survey of India). Demographic dividend occurs when the proportion of working people in the total population is high because this indicates that more people have the potential to be productive and contribute to growth of the economy. However, if a large group of young people are not able to secure employment and earn satisfactory livelihood, the youth bulge will become a demographic explosion, because a large mass of infuriated youth is likely to become a latent source of social and political instability for instance Patel and Jat agitation for reservation in Gujarat and Haryana respectively.

The year 2015-16 has observed a tumultuous global economic environment with major economies showing signs of slowdown in growth. According to Economic Survey of India, the openness indicator, merchandise trade (both exports and imports) to gross domestic product (GDP), which was 41 per cent in 2013-14 and reduced to 37.1 per cent in 2014-15 reflects the integration with and impact of world economy on Indian economy. In this backdrop the government in the last two years, has been making tremendous efforts to create an opportunistic environment for self-employment and growth. These efforts of the government to empower the people particularly the youth is expected to help India achieve its growth potential of above 9 per cent.

This study based on secondary data taken from newspapers, magazines, governmental reports, research papers etc. analyses the governmental schemes that strive to create such conditions which are favourable for augmentation of employment, entrepreneurship and growth. In this context, Startup India is an initiative which aims to encourage entrepreneurship in the country so that the increasing workforce emerge as a resource for the aspiring entrepreneurs. Startup India as a governmental plan is a comprehensive institutional support package to youths with unconventional business ideas in new areas., This research paper is an attempt to assess the Startup India and various other flagship programmes of the government like Make in India, Skill India, Digital India etc. announced by the Government of India, to facilitate growth and development of the country. Moreover, this study also evaluates the various challenges which are proving as hurdle in the setting up and functioning of business enterprises.

**Keywords: Entrepreneurship, Startup India, demographic dividend, employment**

## **Introduction**

Entrepreneurship has played an important role in growth, development and prosperity of many countries in the world. Therefore to promote the entrepreneurial spirit among the people, particularly the youth of the country, Government of India under leadership of Honourable Prime Minister Sh. Narendra Modi has initiated a programme known as “**Startup India**”. This

unprecedented initiative aims at addressing the structural constraints which hinder the growth of many potential businesses. Basically, a Start-up is an enterprise which commences its operation with new ideas and in new areas of business. It is a revived and rejuvenated form of an entrepreneur that has just started to come up. Hence, Start up India is an attempt to provide maximum help and support for the newly established business organisations.

Through this initiative the government strategizes to create a structure which fosters innovation and creation of start-ups in the country that will ultimately lead to sustainable economic growth and large scale employment generation. Thus, the main aim of this programme is to create an employment base for every kind of job seeker whether they are skilled, semi-skilled or unskilled. In India when someone chooses entrepreneurship as his or her career, many governmental procedures in the form of getting land permission, environmental clearances, foreign investment proposals etc. dissuades him to set up an enterprise. Start-up India in this context, is an action plan which seeks to change the perception of people towards the government from an obstructionist entity to a facilitator which guides the newly formed enterprises to the path of efficiency and effectiveness. The intent of the government is to encourage the people to convert their ideas into business organisations. Restructured and liberalised government policies allow the entrepreneurs to keep the cost of adherence to strict governmental rules and procedures minimum and become competent by focussing on their core area of business operations.

India in contemporary world is blessed with something called as “Demographic Dividend” i.e. it has one of the largest number of youths in its population base in the world. By providing social, economic, technological and political support to the ideas of the young mind of the country, it can be ensured that their energies can be coordinated and directed in such a way that instead of becoming social liability for the government this energised youth base can really prove to be an asset for the country. There is generally a misconception that start-up India is a programme especially designed for technology sector but in reality the ambit of the initiative is so large that it covers a wide array of other sector including manufacturing, education, healthcare, agriculture etc. Thus, through this initiative the government wants to extend the entrepreneurial spirit to the grass root level i.e. not only to tier 1 and metropolitan cities but to the tier 2 and tier 3 cities including semi-urban and rural areas in inclusive and transparent manner. So in a manner, it can be concluded that this programme seeks to drive the Indian economy towards inclusive growth and development which further may be solution to problems like regional imbalances and disparities.

## **Literature Review**

India’s historical status of innovation driven country in wide array of trade, mathematics, astronomy and philosophy was diminished by colonialisation of the country by Britishers. To some extent economic liberalisation policy, 1991 has rebounded the business and industry in the country but still there are many factors which are hurdling the establishment and smooth functioning of the business enterprises. After the announcement and implementation of reforms the growth rate of the economy has risen up from single digit in the first decade of the liberalisation to the two digit economic growth rate. Thus the importance of entrepreneurship has been realised and certain incremental steps are taken by the successive governments in this direction.

Entrepreneurship is all about the identification of an opportunity, formation of new concerns, and pursue with new association (Carton et al. 1998). According to Wickham (2006) an entrepreneur needs to be innovative, visionary, and should be able to take risk. Entrepreneurs are described as individuals who can explore the environment, examine the alternatives, and capitalize them after proper analysis. The dynamic process of venture formation involves various activities such as forming a business plan, obtaining resources, developing products, finding finance, government, infrastructural, market research, patenting, and legal support (Lebrasseur et al., 2003). It is widely recognised that entrepreneurship is one of the basic tenet of development of a country. The rise and success of US and Europe through industrial revolution during 18<sup>th</sup> and 19<sup>th</sup> century substantiates the contribution of entrepreneurship in their prosperity. J.S. Saini and B.S. Rathore (2001) in their book titled “Entrepreneurship: Theory and Practice”, described the dependability of success of business on entrepreneur’s desire to assume responsibility for his own actions. Intended outcomes may be obtained through learning from earlier experiences by directing the actions in the right way and consistent efforts will ensure the success.

Dilip Gangopadhyay (2001) in his book Enterprise and Entrepreneurs has highlighted the vigorous association between them, and draw special attention towards development of entrepreneurship for the economic growth of a country. Entrepreneurship is a factor, dependent upon the country’s aspiration for economic growth and the horizon of growth is further dependent on national goals of that particular country. In regard to our country, they are directed towards: a) Social justice b) Removal of regional disparity and scattering of entrepreneurial activities in underdeveloped rural areas c) Equitable distribution of income by way of creating jobs for the unemployed d) Significant appreciation to the GNP and e) Techno-economic independence through economic reforms and industrial globalization by moving away from mixed economy model to market economy model.

After assignment of proper roles and functions to the entrepreneurs, the attributes which are essential for successful running of the business needs to be developed. Such qualities or characteristics may be risk taking capabilities, capacity to explore, capacity for creative thinking, ability to influence and pursue, quality consciousness and desire for deferred consumption.

To become a global power and to effectively meet its social obligation such as poverty alleviation, enhancement in standard of living and employment generation sectors in India like manufacturing and agriculture needs to grow substantially. The role of entrepreneurs in this respect is obvious because the contribution of Indian entrepreneurs in making the future of millions lustrous by providing them employment in their enterprises is very significant. This naturally draws our attention to investigate as to how Indian entrepreneurs succeed in their ventures and the essence of such enquiry can be used as benchmark for budding and aspiring entrepreneurs.

### **Objectives:**

The study is based on the secondary data which has been collected through websites, newspapers, magazines, economic survey, government reports, books, research papers etc. The study is based on following objectives:

1. To study the reasons for encouraging entrepreneurship in India.

2. To analyse important challenges faced by India's innovation ecosystem and entrepreneurship in general.
3. To study the various policies, programs, and agencies involved in enhancing the start-ups.

### **Reasons for encouraging entrepreneurship in India**

**Employment-** India needs to create 1- 1.5 crore (10-15 million) jobs per year for the next decade to provide gainful employment to its young population. It has been historically proved through examples of many western countries that for large-scale employment generation stimulating entrepreneurship and business creation is crucial. Generally, being innovation driven entrepreneurship tends to resolve India's manifold social problems like high-quality education, affordable health care, clean energy and waste management, and financial inclusion.

In the last few decades large business enterprises both public and private have not triggered the employment growth rate and it is not expected from them that they will do so in the coming years also. Since economic reforms in 1991 a new era of market economy is emerging in India and the role of government in business is minimising due to privatisation policy of the government and therefore the employment has declined in the last few years. Similarly in addition to increasing automation and digitization, the global economic slowdown has also effected the growth rate of the private sector corporations and hence there is a decline in employment in private sector. Support to new ventures with lower investment, innovative ideas and energised efforts may enable young entrepreneurs not only to increase India's innovation potential, but also creates employment and creates an alternate to the conventional economic model of depending only on a few, large corporate groups for both investments and jobs.

**Demographic Dividend-** India is also said to enjoy demographic dividend and it is estimated that by 2020 India will be a home to 112 million working population falling in the age bracket of 20-24 years as compared to that of 94 million workers of China. The economy is now graced for its next stage of development with its young demographic profile. With similar demographic profile as US was having in 1960, the demographic dividend is unlikely to accrue to India as a large number of youth in the country lacks education and job to deliver this productivity. Harnessing the benefit of this demographic dividend will depend upon creation of a large number of jobs over the next decade.

With 72 percent of the founders less than 35 years old, India is the youngest startup nation in the world. Thus, this demographic dividend is expected to definitely boost the startup culture in the country. India is a home to almost 3100 startups establishing per year standing just behind the US, UK, and Israel according to the NASSCOM report of 2015. If the growth continues in the same pace then it is expected that Indian startups will generate a plenty of jobs in the next five years.

**Micro, Small and Medium Enterprises -** With 3.6 crore establishments dispersed throughout the country employing nearly 8 crore people, Micro Small and Medium Enterprises (MSME) have contribution of 37.5 percent to the country's GDP. Hence, to promote self-employment as a means of job-creation and to encourage entrepreneurship for further job creation, facilitation, promotion, development and enhancement in the competitiveness of micro, small and medium enterprises. To a great extent, this sector can address structural problems like rural-urban divide,

regional imbalances and unequal distribution in national income and wealth. In nurturing entrepreneurship the importance of MSME sector can be realised by their forward-backward linkages with other sectors and low capital cost requirements.

**Rural Economy-** India is a diverse democratic country with a population of over 1.2 billion people with diverse ethnicities, religions, and languages. Nearly 70% of Indians live in rural areas (Census of India, 2011), and over past 20 to 30 years there has been a continuous flow of people from villages towards cities, mainly in search of work. Rural India is a huge market for startups, lacking adequate and affordable supplies of food, drinking water, clothing, housing, education, and healthcare and the only way to tap this market is to go local. The Indian rural economy is mostly based on agriculture with a rampant disguised unemployment. Creation of new entrepreneurial firms employing the large unemployed youths and provision of the basic services like health, education etc is one of the best ways to capture this market. Indian entrepreneurs are at a distinct advantage in comparison to foreign players entering the space and trying the same solutions.

### **Important challenges faced by the Start-ups**

**Complex procedures-** In India complex procedures and frameworks are the major obstacles in the smooth functioning of the business. These complicated procedures compel the business persons to run from pillar to post in order to get various clearances from different departments of the government. In this context, Doing Business Report prepared by World Bank which details analysis of costs, requirements and procedures a specific type of private firm adhere to in all countries is very considerable. The report constructs the ease of doing business index for 185 economies of the world according to which higher rankings or a low numerical value designate a country with better, usually simpler, regulations for businesses and stronger safeguards for property rights. According to Economic Survey of India, India has improved its ranking by improving the indicators like 'starting a business', 'dealing with construction permit' and getting electricity. Although India is 12 places up from its earlier position and is now at 130<sup>th</sup> position out of 189 countries, it does not correspond with its status of one of the fastest growing countries of the world.

**Archaic Laws-** "Suggested Labour Policy Reforms" a paper published by the industry body Federation of Indian Chambers of Commerce and Industry (FICCI) and All India Organisation of Employers (AIOE) in 2014, pointed out that "India's obsession with an archaic labour policy is keeping investors away, hindering employment growth and making Indian enterprises uncompetitive". The paper goes on argue that the numerous (44 Central and 100-odd at the State-level) labour laws are pushing workers to the informal sector, as companies seek "to bypass the rigorous labour policies". According to the ILO, "labour market flexibility is as high as 93 per cent in India". This means that 93 per cent of India's workforce anyway do not enjoy the protection of India's 144 labour laws. But industry's solution to the labour problem is a dilution of these laws so that the mass of informal workers can be employed formally, but without legal protections.

Similarly, report by High Level Committee to review various Acts administered by Ministry of Environment, Forest & Climate Change, Government of India pointed out that while the thrust of the various acts are quite clear, the issues predominantly relate to aspects of implementation.

Forest land diversion and clearance from pollution point of view, constituting the approval processes for project clearances are largely non-transparent, involving multiple approvals with overlapping processes, based on insufficient application of technology and reliable information, significantly dependent on data provided by the project proponent, to name a few weaknesses. The present system is procedure-oriented, with insufficient focus on the need to safeguard environmental considerations. From the analysis of the data seen by the Committee, the average time taken for clearances works out to significantly longer than specified in most cases, whereas most projects sooner or later obtain approval; one analysis indeed indicated that the percentage of approved projects works out to 99.1% – clearly the focus is not on substance.

**Barriers to exit-** The Economic Survey of India 2015-16 has highlighted the problem of exit of sick industrial units and termed it as “**Chakravyuha Challenge of Indian Economy**”. It has explained that how during the course of last six decades the Indian economy has moved from ‘socialism with limited entry to marketism without exit’. Exit may not be always desirable but it is necessary when cost clearly outweighs the benefits. The survey has defined the costs as Fiscal costs i.e. subsidies and loans from banks, Economic costs meaning the costs of the factors of production not employed in their productive uses and the Political cost in terms of bad reputation of the government and its officials because the general public thinks that the government is favouring the sick unit. According to a 2014 World Bank report, the average time to resolve insolvency is 4.3 years in India, compared with 0.8 in Singapore, 1.5 in US and 1 year in London.

**Problems in fund accessibility-** Finance is regarded as the lifeblood of a business enterprise. It is the basic premise of all kinds of commercial undertakings. Finance is the master key that provides access to all the sources for being employed in manufacturing and merchandising activities. The success of an organization largely depends on efficient management and easy availability of finances. According to Economic Survey the position the accessibility of funds to business enterprise is not appreciable. The slowdown in time deposits, incomplete transmission of monetary policy, and unwillingness of banks to lend credit on account of rising non-performing assets are the some indicators of slow credit growth in the economy, highlighted by survey.

**Inadequate funding of R&D-** The funds allocated to research and development are not appropriate, the fact that from 2011 to 2012 only 0.88% of gross domestic product was granted for R&D exhibits the inadequateness of funds (NSTMIS, 2013). Moreover, even less funding is available to the academic and R&D institutions. Out of the total R&D expenditure incurred in the country, about 63% of the expenditure is incurred by the government itself and the total R&D expenditure incurred by industry altogether is equivalent to the amount just one global multinational spends on its in-house R&D (NSTMIS, 2013).

**Weak linkages between stakeholders:** The linkages between industry, especially medium and small-scale enterprises and R&D or academic organisation are very fragile. What industry require is a technology which has a documented track record for a defined environment, but the research institutions can only provide technologies that are at a nascent stage, meaning there is still much work to be done to bring the technologies to market. There is also less private sector sponsored researches and institution.

**Non-conducive education system:** The general education system still emphasises on grades and marks, career is not directed toward innovation and entrepreneurship. The issues of lack of

infrastructure and good facilities in the educational institutions; delays in the funding system; and delays in the funds or other support reaching innovation projects further deteriorate the favourable environment of entrepreneurship. While industry does not approach to the educational institutions for their problems, the institutions remain indulged in focussing on routine academic exercises producing manpower which is not suitable to innovative industries or entrepreneurship.

**Poor infrastructural facilities in villages:** The uneven distribution of basic infrastructure facilities like electricity, internet, roads, rail etc. in the smaller cities or towns and rural parts of the country is the biggest cause of underdevelopment of these areas. Innovation and entrepreneurship cannot thrive on without these facilities.

**Inadequate protection of intellectual property rights:** In India, the intellectual property regime is weak. Innovators do not generally voluntarily seek safeguards for their intellectual property unless they are mandatorily required to do so. For most entrepreneurs, patents and other forms of protection take too long and cost too much. Patent literacy is very low, even among educated innovators, and there is a lack of expert help available, except in the medicine and pharmaceutical industry.

## **Startup India Action Plan and Policy Initiatives by the Government**

Although, “Startup India” as an intended governmental plan was announced on the eve of 69<sup>th</sup> Independence Day celebration by Prime Minister of India, the action plan was formally launched on Jan. 16<sup>th</sup>, 2016 by him in New Delhi. The action plan created a platform for a set of comprehensive regulatory and structural reforms to boost morale of young aspiring minds. The set 19 reforms proposed under the programme can be classified into the following three broad categories:

- (i) Simplification and Handholding.
- (ii) Funding Support and Incentives.
- (iii) Industry-Academia Partnership and Incubation.

### **Simplification and Handholding**

Following reforms contemplated in Startup India action plan aims to improve the easiness of doing business in India:

**1. Compliance Regime based on Self-Certification-** Startup India seeks to reduce the regulatory burden on the new ventures by empowering them to certify themselves for 9 labour and environmental laws. In case of labour laws the startups are not required to go through with any inspection for a period of three years while startups under white category of Central Pollution Control Board may self-certify themselves. This lessen strain of archaic laws would encourage more and more people to set up an enterprise which in turn would create employment and fosters the growth of the economy.

**2. Startup India Hub-** It would act as a coordinator or focal point of information concerning the programme which makes people working, not wasting time trying to get help because any time spent on efforts other than helping the organization attain its stated objectives is time irrevocably lost. The hub will facilitate knowledge exchange and access to funding by

collaborating with Central & State governments, Indian and foreign VCs, angel networks, banks, incubators, legal partners, consultants, universities and R&D institutions. It would also guide the startups throughout their life span with special focus on important aspects like obtaining financing, feasibility testing, business structuring advisory, enhancement of marketing skills, technology commercialization and management evaluation.

It also provides for a mobile app which allows start-ups to self-certify themselves and also acts as a single point of contact between entrepreneurs, regulators and the government. This is a positive move in simplifying the registration process. The Startup India Hub, a government program to unravel queries and provide hand-holding support to startups, has been able to resolve over 12,000 queries since it began operations in April this year. The queries were resolved through telephone, e-mail, and twitter. The Hub is now planning to institute an interactive online learning and development module soon to educate startups and aspiring entrepreneurs, through various stages of their entrepreneurial journey. Hence effective information eliminate the need for more manpower and this ultimately cuts down on certain costs that may have otherwise been incurred. Complete knowledge about the mechanism of starting and operating the business support better management decision making to remain relevant in a competitive market.

**3. Rolling-out of Mobile App and Portal-** Growth of telecommunications is one of the key drivers of socio-economic development. The government recognizes the emergent role of machine to machine communication (M2M) to promote the functioning of new technologies in enhancing welfare of public and augmenting customer choices through reasonable and productive service delivery. To initiate the functioning, Startups need to register themselves with relevant regulatory authorities. Untimely and ambiguous approval procedures may cause postponement of setting up and operations of Startups which further do not allow the firms to get quick access of funds from banks and other financial institutions, immediate workers employment and income generation. To ameliorate these structural dysfunctions government has introduced a mobile app to get authorization from different governmental agencies through a simple application form. The app facilitate data sharing and processing of registration application forms by merging Ministry of Corporate Affairs and Registrar of Firms backside. Firms can track the status of application form and can also download the final registration certificate. This judicious use of technology will enable the Startup firms to file the various compliances online and obtain information on several clearances, approvals, availability of funds, innovations etc. by providing a cooperative forum of different stakeholders.

**4. Legal Support and Fast-tracking Patent Examination at Lower Costs-** In today's globalised world to remain competitive and cost effective every firm has to foster innovation and creativity. The Government has recently disclosed that the process of about 2,37,000 patent applications and 5,44,000 trademark registrations has been unfinished due to inadequate manpower. Government in Startup India programme has promised to protect the new innovations which firms generate through a lot of investment in research and development. To complete the registration process of these accumulated forms, at the launch of Action Plan, it was proclaimed by the Government that it is inducting various patent and trademark scrutinizers to reduce the huge piled up applications.

The government, also opened a 'tatkal' window to accelerate examination of patent applications in the backdrop of lakhs of pending patent applications. Under the 'tatkal'-like system,

applicants can opt for the 'expedited examination' - route on the grounds that they have chosen India as the competent International Searching Authority or International Preliminary Examining Authority in the corresponding international application, and file their applications first in India. The 'expedited examination'-route is also available to all entities that qualify as a start-up as per the definition for start-up provided in the Patent Rules. The applications for this route have to be filed only electronically.

**5. Relaxed Norms of Public Procurement for Startups-** With a large base of public sector units and being a welfare state, the Government of India is expected to be one of the biggest and fastest growing verticals for different private firms. Under the current framework the firms from which the government acquire goods need to fulfil certain condition in terms of minimum required turnover or minimum number of years of experience in a particular area. Being newly established the startup firms may not have such a wide customer base so that it can satisfy the eligibility criteria of "Prior Turnover" and "Prior Experience". For removing this fictitious incompetency on the part of newly set up firms the government has relaxed these procurement norms related to turnover and experience without compromising with technical and quality specifications. Moreover, From April 2015, all PSUs, central government ministries and departments have been directed to procure at least 20 per cent of products and services required by them from micro and small enterprises. Thus through government procurement the objective is to encourage more and more people to for entrepreneurship and generate employment in the country

**6. Faster Exit for Startups -** Due to innovative and creative nature of the startups, the chances of failures of these firms are high. By facilitating easy exit the government attempts to save the above said various costs and redeploy the resources to the productive ventures. This easy exit encourage the startups to do new the things in new and innovative ways. The government has enacted The Insolvency and Bankruptcy Code, 2016 which is the bankruptcy law of India which seeks to integrate the prevailing laws by creating a single framework for insolvency and bankruptcy. The government in the action plan has also made the provision of fast track wound up of startups within 90 days of application provided that the firms have simple debt structure or they fall under the criteria set up by the government

### **Funding Support and Incentives**

The Sartup India initiative strives to spur formation and growth of firms by ensuring credit availability and the measures are discussed below:

**7. Providing Funding Support through a Fund of Funds with a Corpus of INR 10,000 crore-** The Rs.10,000 crore 'fund-of-funds' is a significant financial commitment by the Government under the Action Plan. It is set to start with Rs.2,500 crore initially with the amount set to recur for 4 years. Instead of investing directly in the ventures this mega fund would provide finance through SEBI registered venture funds. This fund will contribute a maximum of 50 per cent of the daughter fund size, providing a significant boost to the corpus of investments that start-ups have access to. It is important that this corpus would not be administered by Politicians or bureaucrats, but smart, savvy fund managers who have a financial background. The Cabinet has approved the establishment of 'Fund of Funds for Startups' (FFS) at Small Industries Development Bank of India (SIDBI) for contribution to various Alternative Investment Funds (AIF), registered with SEBI which would extend funding

support to startups. The fund is expected to generate employment for 18 lakh persons on full deployment.

**8. Credit Guarantee Fund for Startups-** Among all the problems faced by the startups, inaccessibility of timely and adequate credit at moderate interest rate is one of the most important. The principal cause for low availability of bank finance is the high risk perception of the financial institutions in lending to innovative firms and consequent insistence on collaterals which are not easily available with these enterprises. The Credit Guarantee scheme (CGS) seeks to assure the lender that, in the event of a startup, which has borrowed from the lender without any security, fails to pay its debt to the lender, the Guarantee Trust would make good the loss incurred by the lender. To bring revolution in the field of entrepreneurship through startups, the government will provide credit guarantee through a National Credit Guarantee Trust Company being envisaged with a corpus of Rs. 500 crore per year for the next four years.

**9. Tax Exemption on Capital Gains-** Until now, assesses had only a few options to claim tax exemption on their capital gains. To save tax they could invest in bonds of National Highways Authority of India or Rural Electrification Corporation or they could buy a residential property. Individuals will now be able to save tax on capital gains by investing in start-ups directly or indirectly. However, these options carry much higher level of risk and investors should look at them if they have the requisite risk appetite. Investors may invest in a fund-of-funds, which will in turn invest in startups. The government plans to raise Rs 2,500 crore annually for four years (Rs 10,000 crore altogether) in these funds. If investors reinvest their capital gains in such an approved fund, they will be exempted from paying tax on those gains.

**10. Tax Exemption to Startups for 3 years-** Innovation is the basic principle behind creation of every Startup. Aspiring youths prompt new methods every day to anticipate beyond traditional approaches of the surviving corporate world. During the initial years, promising entrepreneurs are not able to examine the feasibility of their new business concept. Significant capital investment is made in embracing ever-changing technology, fighting rising competition and navigating through the unique challenges arising from their venture. With the aim to instigate the growth of Startups in India and enhancing their competency, it is necessary that the profits of Startup are not taxed for a period of 3 years. This tax immunity shall accelerate growth of business and helps them to meet their working capital requirements during the initial years of operations.

**11. Tax Exemption on Investments above Fair Market Value-** Startups receive initial equity capital investment from various sources and one of the most effective and common source is the Individual investor (Angels). The misuse of angel investment as a medium to launder black money has been a reason of cynicism of the income tax department in India. Artificial valuations is mostly the doubt in mind of income tax authorities. As per, Finance Act 2012, capital raised by an unlisted company from any individual against an issue of shares in excess of fair market value would be taxable as 'income from other sources'. This came to be popularly called as angel tax. Govt. of India recently announced a change under StartupIndia policy by exempting startups raising funds from angel investors.

### **Industry-Academia Partnership and Incubation**

**12. Organizing Startup Fests for Showcasing Innovation and Providing a Collaboration Platform-** It is to keep proper association and participation within the startup community to

acquire national and international experience. Government will facilitate the active engagement of academia, investors, industry and other stakeholders by conducting the startup fest. Government has determined to arrange at least one national level fest in the national city and one international level fest in the international city for the startup ecosystem. The activities like exhibitions and product launches, curated Startup walks, sessions to connect with mentors, investors, incubators, and startups, conferences with industry leaders, showcasing of innovations, mentoring sessions, competitions talks by disruptive innovators, announcements of rewards and recognitions, etc. will be held during the startup fest.

**13. Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program-** AIM will be an innovation promotion platform involving academics, entrepreneurs and researchers. It is drawn upon national and international experiences to foster a culture of innovation, R&D and scientific research in India. The platform will provide a network of world class innovation hubs and grand challenges for India. The Atal Innovation Mission will have two core functions i.e. entrepreneurship promotion through Self Employment Talent Utilization wherein innovators would be assisted and guided to become flourished entrepreneurs and innovation promotion by providing a platform where innovative ideas would be generated.

**14. Harnessing Private Sector Expertise for Incubator Setup-** A business incubator is an organisation that assists new and startup companies to develop by providing services such as networking activities and market research. Government will promote and connect private sectors expertise to setup incubator all through the country. People will be benefited in many ways through incubation facilities such as provision of mentorship support, physical infrastructure, access to networks, and access to the market etc. Amongst all these physical infrastructure requires huge capital investment which can be committed by the government. The funding for establishing these incubators will be provided by NITI Aayog as part of Atal Innovation Mission.

**15. Building Innovation Centres at National Institutes-** The intent of the government is to drive successful innovation through magnification of incubation and R&D efforts. The government has proposed to set up 31 innovation centres at national institutes (offering facilities to more than 1,200 new Startups) including 13 startup centres with annual funding support of INR 50 lakhs for the first three years to promote student driven startups and 18 Technology Business Incubators at the NITs/IITs/IIMs etc.

**16. Setting up of 7 New Research Parks modelled on the Research Park Setup at IIT Madras-** To spur real innovation through combined incubation and joint R&D efforts between academia and industry. There is plan by the government to devote around INR 100 crore in setting up 7 new Research Parks in the institutes in order to break conventional and pretended hurdles of innovation as well as design and spread improvement in knowledge.

**17. Promoting Startups in the Biotechnology Sector-** India is amongst the top 12 biotech destinations in the world and ranks third in the Asia Pacific region. India has the second highest number of USFDA-approved plants, after the USA. The prime motive is to encourage more innovative youths of the country towards biotechnology sector. Startups in this sphere will be promoted by the government through the facilities like 5 new Bio-clusters, 150 technology

transfer offices, 20 Bio-Connect offices, 50 new Bio-Incubators etc in the research institutes and universities all across the country. There is facility of Biotech Equity Fund (fund in partnership with National and Global Equity Funds) in order to provide financial support to the young Biotech startups.

**18. Launching of Innovation Focused Programs for Students-** Government will promote research and innovation among students in the field of science and technology by launching innovative programs. Innovation core program will be created to target the school kids to achieve 10 lakh innovations from 5 lakh schools. Some of the best innovations will be shortlisted to showcase at the Annual Festival of Innovations at Rashtrapati Bhavan. Another program named National Initiative for Developing and Harnessing Innovations (NIDHI) will support and award around 20 student innovations from Innovation and Entrepreneurship Development Centres (IEDCs) with INR 10 lakhs. Uchhattar Avishkar Yojana will promote IIT students for very high quality research. Funds will be granred 50% from MHRD, 25% from DST and 25% from industry.

**19. Annual Incubator Grand Challenge-** A conception in mind can be converted in to a successful business venture only when it gets requisite support and mentoring in various phases of business lifecycle. Incubators can responsibly recognize the various startups at different stages of their lifecycle and hence the establishment of world class incubators is necessary. The government has planned to make prospective investments for creating these world class incubators. At the first stage the aim is to build 10 such incubators by selecting the potential ones and allocatin 10 crore each as financial assistance. An activity, “Incubator Grand Challenge” will be carried out for distinguishing of the potential incubators. The activity will include:• Open invitation of applications from incubators • Screening and evaluation based on pre-defined Key Performance Indicators (KPIs) The Incubator Grand Challenge will be an annual exercise.

### **Flagship programmes of the government**

Apart from Startup India, to provide a facilitative environment to the entrepreneurs, the government has initiated many flagship programmes in various sectors also like manufacturing, infrastructure, skill development, financial etc. Some of them has been discussed below:

**Make in India-** The main objective of this programme is to make India a manufacturing hub and thereby creating 100 million jobs in the manufacturing sector of economy. The main focus is on job creation and skill enhancement in 25 sectors of the economy. This scheme is based on four pillars- new processes, new infrastructure, new sectors and new mind-set. The initiative is set to boost entrepreneurship, not only in manufacturing but in relevant infrastructure and service sector as well. The strengthening of manufacturing sector’s contribution to India’s GDP, which is stagnant for the past decades will not only sustain economic growth but also generate employment.

India must become a nerve centre of manufacturing in order to productively utilize its demographic dividend. Fortunately, India has many natural privileges including a big labour pool and a huge domestic market. All what needs to be done is improving the ease of doing business in India like stop tax terrorism, improve infrastructure, reform labour laws, invest in skills development, make it easier to acquire land, implement Goods and Services Tax (GST) and fast track approvals. Moreover, The NDA government on announced, what it termed, a

“radical liberalisation” of the Foreign Direct Investment (FDI) regime by easing norms for a host of important sectors including defence, civil aviation and pharmaceuticals, opening them up for complete foreign ownership which is expected to encourage more investors to come and manufacture products in India.

**Digital India Mission-** According to World Economic Forum’s Global Competitiveness Report for 2016-17 the country’s biggest relative weakness today is in technological readiness, where initiatives such as Digital India could lead to significant improvements. Digital India is a Programme to make India ready for a knowledge future. The government has laid emphasis on National e- governance plan and has gave its approval for Digital India – A programme to transform India into digital empowered society and knowledge economy. Digital India is an ambitious programme of Government of India projected at Rs 1,13,000 crores. This will be for preparing the India for the knowledge based transformation and delivering good governance to citizens by synchronized and co-ordinated engagement with both Central Government and State Government. According to World Economic Forum’s Global Competitiveness Report for 2016-17 the country’s biggest relative weakness today is in technological readiness, where initiatives such as Digital India could lead to significant improvements. Various initiatives under the programme are Digital India Portal, MyGov Mobile App, Bharatnet, Digilocker etc.

**Standup India-** The main intent behind initiating this programme is to support entrepreneurship among women and SC & ST communities. Loan facility in the range of Rs. 10 lakh to 1 crore for setting up a new enterprise would be available. In addition to a RuPay Debit Card for withdrawal of money, SC/ST and women entrepreneurs who avail loan would be given comprehensive support like pre-loan training and factoring and marketing. The programme seeks to develop credit histories of these under banked sections of society and will open a refinance window through the Small Industries Development Bank of India with an initial amount of Rs.10000 crore.

**Skill India-** Through ‘Skill India’ mission, the government seeks to promote holistic development by equipping the youth with greater work skills. According to a report by the Adviser to the Prime Minister on the National Council on Skill Development, among those in the 15 to 29 years age group, only 2 per cent have received formal vocational training, and 8 per cent non-formal vocational training. Bestowing the population with vocational education and training is a productive way of spreading skills at various levels and sub-sectors of industries for improving their employability. To improve the employability of the people, government has to invest in bridging the skill gap in vocational education and training. The establishment of National Skill Development Corporation (NSDC) is a step towards increased consciousness about the skill gap and a thrust towards increasing abilities of the people. Pradhan Mantri Kaushal Vikas Yojana is a major initiative started under the Skill India campaign.

The PMKVY will be implemented by Union Ministry of Skill Development and entrepreneurship through National Skill Development Council. It will provide skills training to youth, including class 10<sup>th</sup> and 12<sup>th</sup> drop outs and aims to cover about 24 lakh people. The target for skilling under the scheme will be associated with Union Government’s flagship programme such as Make in India, Digital India, Swachh Bharat Abhiyan and National Solar Mission

**Deen Dayal Upadhyaya Grameen kaushalya Yojana-** The yojana aims to give training to ten lakh rural youth for jobs in three years that is by 2017. Skill development training centres will be set up so as to address the unemployment problem within the rural area of the country. The

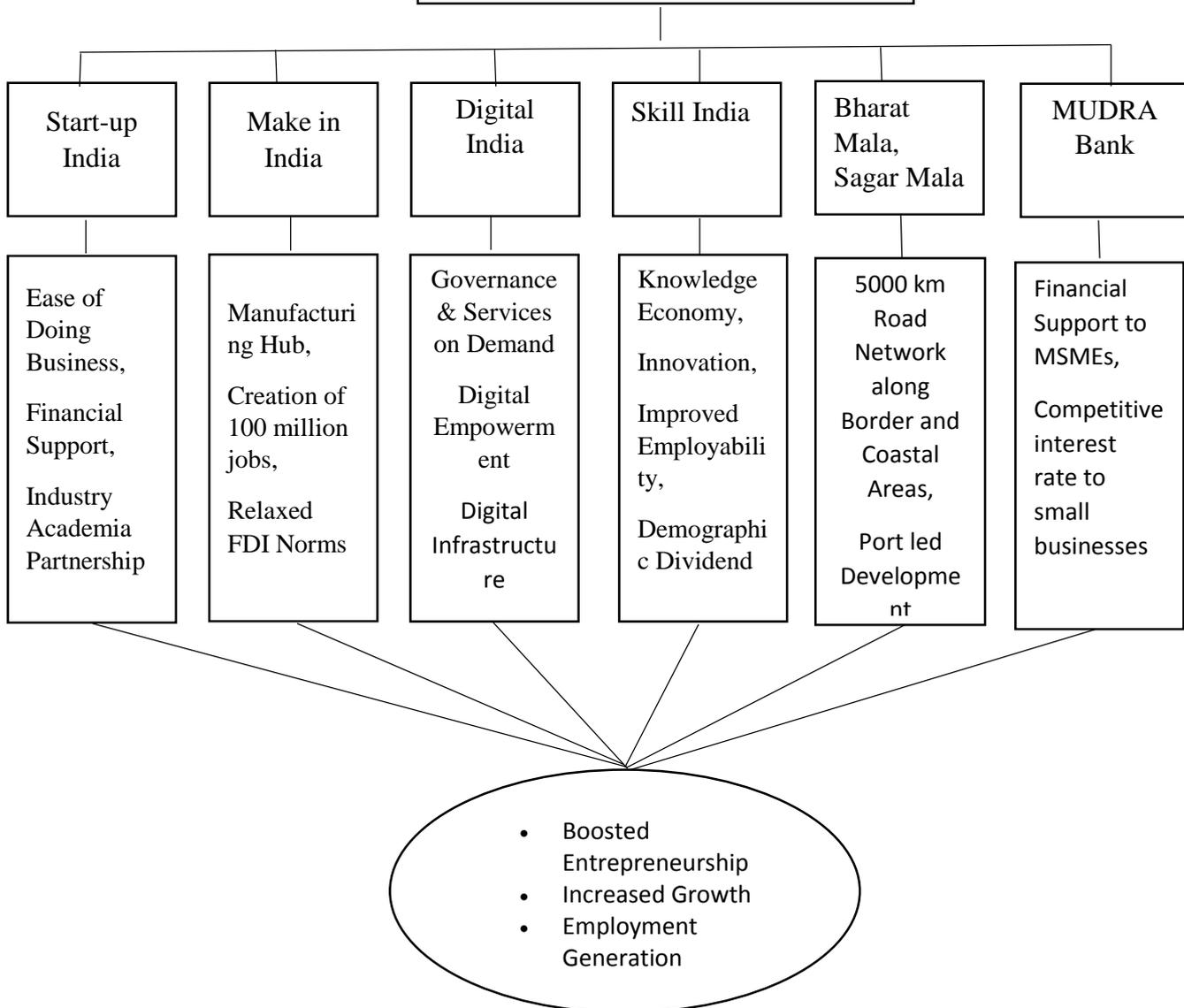
skill imparted will be benchmarked against the international standards and will complement the Prime Minister's make in India campaign. The yojana was launched in the light of the fact that by 2020 developed countries will have a shortfall of over fifty seven million semi-skilled staffs while India will have forty seven million surpluses of workers. The poor and the marginalised would be enabled demand led skill training at no cost by shifting the emphasis from training to career progression.

**Sagar Mala Project-** The project aims to instigate port led development like port based industrialisation, logistics parks, warehousing, fisheries etc. by mechanisation of existing berths and creating new capacity and green field ports. The vision of the project is to change the logistical movement in India which will increase the competitiveness of core industry and manufacturing and save input cost of power and steel by 5%. The project envisages to effectively utilize the natural resources by increasing the volume of inland waterways and coastal shipping.

**Bharat Mala Project-** Another ambitious programme instituted by Government of India is Bharat Mala which projects to build road along India's vast west-to east border i.e. from Gujarat to Mizoram at a cost of Rs.14000 crore and linking that to a road network in coastal states, from Maharashtra to Bengal. This would be the road network that will look like garland to the territory of India. The focus of the project would be both strategic and economic, strategically it will improve reach and connectivity in border areas and would also ensure supplies to India's troops and on economic front it will have a multiplier effect on many poorer Border States.

**MUDRA Bank-** The Government of India introduced Micro Units Development Refinance Agency (MUDRA) Bank to ensure credit availability for small entrepreneurs. The biggest bottleneck to the growth of non-corporate small business sector is lack of financial support to this sector. There are nearly 6 crore enterprises, mostly individual enterprises, running small manufacturing, trading or service business and only 4 per cent of such unit receive institutional finance. MUDRA Bank with a focus on micro sector having financing requirements upto Rs. 10 lakh will act as a regulator and refinance institution for Micro Finance Institutions (MFI) which lend to very small units to help them develop. The bank would help in preparing policy guidelines, as well as enforcing client protection principles so that small scale enterprises are not cheated to pay more than what is the standard rate prevailing in the country. The purpose of MUDRA is to provide funding to the noncorporate small business sector through various last mile Financial Institutions like Bank, NBFCs MFIs etc.

## Governmental Schemes



The Government of India since May 2014, has been making efforts to rejuvenate India and attain its potential growth rate of above 9 per cent. Since then, the Government of India has announced a number of measures that the focus on development oriented policies to achieve higher rate of growth. To ensure a balanced state of growth with a strong structure, it was important that the industrial base was strengthened, and therefore, the Prime Minister on assuming office in 2014 immediately launched a campaign of “Make in India”. To achieve growth, and ensure build-up of industrial base, an eco-system is needed where there is ease of doing business and availability of hand holding when required. After showing its intention of a robust industrial sector, among others the government announced initiatives like Skill India, Digital India, Start-up India, MUDRA Bank and infrastructural projects like Bharat Mala and Sagar Mala. By providing tax concessions and facilitating ease of doing business the government wants to support start-ups and urges the young talent to choose entrepreneurship as their career. The Digital India initiative is a renewed push to address the delays plaguing the flagship programs and focus on universal broadband access and mobile connectivity. Further,

to promote entrepreneurship at the grass root level the government has announced the establishment of MUDRA Bank, the primary function of the bank would be to ensure credit availability for the small business enterprises. The Union government's Sagarmala project, aimed at promoting port-led development in India, could lead to annual logistics cost savings of Rs 35,000 crore and boost India's merchandise exports to \$110 billion by 2025. Similarly, transport infrastructure is the backbone of economy and it is a vital linkage between consumer and producer. It is estimated that the impact of Bharatmala project after achieving its targets will be phenomenal on Indian Economy. Thus through various programmes, the government wants to create a conducive eco-system for entrepreneurship, faster the rate of economic growth and make the development more inclusive.

### **Conclusion:**

The economic performance of a country goes beyond increase in GDP and per capita income and encompasses enhancement of opportunities for the people and level of employment and employability of the national. In the 21<sup>st</sup> century the situation in India is not like, that it was when India got independence, with considerable level of education and awareness today's youth can take rational decisions for their future. The availability of opportunities cannot be ensured with the traditional role of the government where it used to control all economic resources rather it should play a facilitative role so that there would be an optimum utilization of resources. The role of the government should be to provide targeted policy environment and information to the people for helping them to take more informed decisions. Through Startup India and other flagship programmes discussed above, the government endeavours to create a scenario of "maximum governance and minimum government". Through this minimal role the government wants to reduce the procedural and bureaucratic hurdles which obstructs the functioning of business corporations. The minimum impediments in the institution and operation of entrepreneurs would allow them to focus on their primary goals for which they are being set up and their growth would also improve employment situation in the country.

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