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# 'STARTUP INDIA, STANDUP INDIA': AN OUTSTANDING DRIVE FOR EMPLOYMENT GENERATION AND WEALTH CREATION!

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## ABSTRACT

**Background:** The political environment, economic policies, financial markets and the tax policies in India prior to MII initiative were not very friendly towards the investors who wanted to start their own businesses. These factors led to greater dependency of the population on the government provided employment. But the fact is that the government provided employment is not sufficient for the 236.5 billion youth population of the country as per the 2011 census. Understanding the need of hour, the Prime Minister of India came up with the campaign 'Start-up India Stand-up India' for promoting self-created job opportunities.

**Objectives:** The objective of this research is to understand 'Start-up India, Stand-up India' campaign; determine its strengths, weaknesses, opportunities & threats and finally recommend ways and means for its proper implementation.

**Method/Analysis:** The study is specifically based on secondary sources of information. Secondary data is collected from newspapers, magazines, case studies, articles, online databases and journals. The interview of professionals was also conducted to gather the primary inputs.

**Findings:** On the basis of the research so performed it was concluded that this drive has made the procedures for doing business easy. It is a welcome step towards encouraging Indian youth full of innovative ideas for translating their ideas to reality. The research delves upon the challenges and threats before the beginners. The research also aims at finding out the feasibility of the drive.

## KEYWORDS

action plan, global comparison, Indian economy, management and execution, 'Startup India Standup India', SWOT analysis.

## 1.1 INTRODUCTION

Modi's 'Startup India Standup India' campaign primarily aims at easing the financial market for those who wish to setup independent businesses thus boosting entrepreneurship, providing certain job opportunities to the oppressed women and minorities of the Indian society and promote bank financing for startups, women and the backward classes of India.

The campaign so talked about is divided into two sub-campaigns i.e., 'Startup India' and 'Standup India'.

The Start-up India initiative's main objective is to create rule of entrepreneurship in the country and henceforth promote innovation by creating an ecosystem which supports prominent growth for all kinds of start-ups. Therefore, this drive aims at gradually converting India, into a country of employment creators rather than a country of employment seekers (*Startup India* official website 2016)<sup>1</sup>.

The Stand-up India initiative on the other hand provides bank loans between 10 lakh rupees to 1 crore rupees to Scheduled Caste (SC) or Scheduled Tribe (ST) or woman borrowers at each bank branch in the nation for setting up an infant enterprise. This enterprise can be of any nature i.e. it can be one in manufacturing, services or under trading sector (*Standup India* official website 2016)<sup>2</sup>.

## 2.1 REVIEW OF LITERATURE

For the research in hand the authors reviewed research papers based on the success stories of startups in India. Interestingly their journey towards success was not a cake walk, but they dared to surmount all those obstacles.

### Flipkart.com – THE SUCCESS SAGA

Flipkart was born on October 2007, in the city of Bangalore as an online platform to buy books. It was cofounded by IIT-Delhi graduates, Sachin Bansal and Binny Bansal, who had an opportunity to work in Amazon. It was there when they decided to come up with their own e-commerce venture. But, challenges were all spread on their path. It was not an easy task to urge the Indian population to shop online majority of whom even today prefer to buy by actually touching the products. The bitter experiences of people with the e-commerce made generation of trust & faith of population over e-commerce even more difficult.

To start such a venture, huge sum of investment was required. It took all the savings of the co-founders to bring their dream to an existence.

<sup>1</sup>Startup India official website 2016; sub-topic Action Plan; URL: <http://startupindia.gov.in/actionplan.php>

<sup>2</sup>Standup India official website 2016; URL: <https://www.standupmitra.in/>

Flipkart experiences numerous threats from competition and economy and will continue to experience the same but the remarkable achievement lies when a startup, alone of its kind, is successful in withstanding all the threats and challenges and comes out to be a face changer of e-commerce in the nation as well as a complete success in its objective (Ankit Chaudhary2011)<sup>3</sup>.

#### **ZOMATO**

Zomato was launched as 'Foodiebay' by Deepinder Goyal and Pankaj Chaddah in the year 2008 in July. This online platform for various restaurants with various cuisines first started in New Delhi and then expanded its reach to Kolkata and Mumbai.

This website failed to provide quality food parallel to the expectations of the masses, which was the biggest threat so faced but Foodiebay took the same as a challenge, rectified it in the best possible way and soon in the time span of only two years, Foodiebay positioned itself among the top 20 most promising internet companies in India along with Flipkart. Currently, Zomato operates over 23 countries of the world.

Today, Zomato is one of the leading companies in the consumer services so provided in India (Rupali Khanna and Ankita Sang 2015)<sup>4</sup>.

#### **Paytm – Karol**

Vijay Shekhar Sharma, a man with god-gifted brains, a man who finished school at the age of 13 years and started engineering at the age of 15 years. After trying his luck in various jobs under extreme hard conditions, Vijay along with a colleague, Rajiv Shukla decided to start up a business which revolved around the trend of smartphones and that is how Paytm came into existence. This small initiative of a mobile wallet soon gained popularity. On this day it has 60 million transactions being conducted by 100 million consumers on an average in a single month.

Paytm has gone through its own share of challenges. Firstly, to encourage the society to liberalize itself and use such an app. Secondly, the competition which exists due to the mobile apps of existing and established banks. But Paytm managed to be a complete success in its own way (Sulekha Nair 2015)<sup>5</sup>.

#### **OlaCabs**

Bhavish Aggarwal, an entrepreneur minded graduate from IIT-Bangalore, from his bitter experience with a cab driver decided to set up his own business of providing cabs with ease at cheap rates.

OlaCabs is known to be one of the fastest growing businesses in India.

The threats came again from the established competitors, Meru and Uber. But with its applauding services to all age groups, OlaCabs managed to out-beat them all<sup>6</sup>.

#### **redBus**

Founded by Phanindra Sama recently associated with a South African media and internet group to provide the masses the platform and services of redBus in the region.

Such success came after a long duration of hard work. On one hand where startups utilized technology for their benefit, redBus had its own issues with the modern technology. It was hard to bring the public travel industry of buses in the hands of people, but the startup was successful in doing the same in the course of time. The Indian masses, which once were fighting over tickets standing in long queues, now book their tickets in accordance to their favorite seats without any issues<sup>7</sup>.

## **2.2 RESEARCH OBJECTIVES**

The objective of this research is to:

1. Understand Startup India Standup India campaign.
2. Understand strengths and weaknesses of Startup India on the basis of comparative study with United States of America.
3. Identify threats and opportunities before startup initiative.
4. Recommend measures to facilitate implementation of this initiative.

## **2.3 RESEARCH DESIGN**

This research paper firstly will deal with 'Startup India Standup India campaign' as a whole and secondly will narrow down its details to 'Startup India campaign'. The research concludes how this campaign was a sheer necessity in such times and hence successful by all means.

## **2.4 RESEARCH METHODOLOGY**

The data is collected mainly from secondary sources such as newspapers, magazines, case studies, articles, online databases and journals. The primary information was collected through in-depth interviews of some professionals.

This research paper firstly includes the history and culture of startups in the Indian society. The tough times they had to face to shine out bright explained along with a few examples. Secondly, the paper comes to the requirement of Startup India Standup India campaign as a whole. Thirdly, the specificities of each campaign and then focuses on Startup India campaign. The research also includes the implementation and SWOT analysis of the same.

## **3.1 BACKGROUND**

The fashion of startups has never existed in the Indian society until now. Colonial era saw number of rigidities in the government policy to create an ideal environment for startups. However, Sondhi Committee Report 1979 (Report on Review Committee on Electronics) paved a way for liberalization in organized sector and innovation in regime of computers and IT. Though National Science & Technology Entrepreneurship Development Board (NSTEDB) which came into being in the year 1982, failed to boost entrepreneurship in India.

Pre-Independence, it was seen that startups weren't supported by British laws until Mahatma Gandhi initiated the Non-Cooperation Movement in 1920. Post-Independence we come across the fact that the youth is more tilted towards government provided jobs and their benefits than towards their will to set up their own businesses and become the boss themselves. In 1984, PM Rajiv Gandhi declared "liberalization of computer industry" removing rules and regulations imposed on IT industry and setting up of NASSCOM in 1989 lead to the emergence of idea of homegrown unicorns in India.

Thus, we see there was no such climate for a startup ecosystem, until the last decade, where some significant number of startups came up. Yet, only a few of them survived the quake of volatile political environment, lack of favorable laws and harsh tax policies.<sup>8</sup>

Thus, the path to success for a startup is not simple at all. Apart from the in-business challenges, the external challenges to make the path difficult to walk on. The economic as well as legal pressures tend to discourage minds to set up independent businesses. At the end, initiation of the startups era became a necessity for India to strengthen its economy.

<sup>3</sup>Ankit Chaudhary (2011) Flipkart.com – A Success Saga, *Marketing and Strategy Making*, URL:<http://www.mbaskool.com/business-articles/marketing/1128-flipkartcom-the-success-saga.pdf>, September 30, 2016

<sup>4</sup>Rupali Khanna and Ankita Sang (2015) Zomato Using SERVQUAL Applications to Provide Services to the User to Discover Restaurants, *Global Journal of Enterprise Information System*, URL:<http://www.informaticsjournals.com/index.php/gjeis/article/viewFile/6237/5174>, September 30, 2016

<sup>5</sup>Sulekha Nair (2015), Paytm's Vijay Shekhar-Success Story behind the man, by, Firstpost, URL:<https://paytm.com/blog/paytms-vijay-shekhar-sharma-the-success-story-behind-the-man/> and <https://paytm.com/about.html>

<sup>6</sup>OlaCabs, e-startups, URL:<http://www.estartups.co.in/ola-success-story/>

<sup>7</sup>redBus-Success Story, online article on YourStory <https://yourstory.com/2013/06/redbuss-best-is-yet-to-come-phanindra-sama-on-acquisition-and-future-plans/>

<sup>8</sup>The Story of Indian Startups: From Pre-Independence to the present; URL:<http://www.bythestartups.com/the-story-of-indian-startups-from-pre-independence-to-the-present/>

### 3.2 THE NECESSITY OF A STRONG ECONOMY

Economic Growth is believed to be the 'holy grail' of economic policy in the world. A nation stands erect only when the economy and the economic policies of the nation are significantly balanced and strong enough to help the nation rise in such existing competitive scenario of markets.

Thus we see that economy plays a significant role in the growth of a nation as it firstly reduces poverty, reduces unemployment, overcomes budget deficits, it improves living standards of the citizens of the nation i.e. economic growth enables an increase in resources which are essential for the masses residing within the boundaries of a nation. These resources may include education, health care and other important services for all. Healthy economic growth can thus enable a better livelihood for all the citizens of the nation, without any significant increase in the existing tax rates.

### 4. FINDINGS

#### Indian Economy in the year 2014-2015

"India's macroeconomic prospects have definitely improved relative to the period just before Prime Minister Narendra Modi took office," correctly said by Chua Han Teng, who is an Asian analyst at BMI Research (The Wall Street Journal-May 25,2016)<sup>9</sup>.

The Indian Economy in the year 2014-2015 has successfully developed as one of the largest economies in the world with an encouraging economic outlook which rests on the back of controlled inflation, a significant rise in domestic demand, increase in investments, a drop in oil prices and reform amongst other sectors as well. The researchers saw that on the demand side, the growth of private final consumption increased up to 7.6 per cent in this year as compared to 6.5 per cent in the previous year. Also, the average Wholesale Price Index (WPI) had declined to 3.4 per cent from 6 per cent in the year 2013-2014. The Average Retail Inflation, so measured by Consumer Price Index had moderated to 6.3 per cent in the year 2014-2015 from 9.3 per cent in 2013-2014. The GDP performance of this year has increased to 6.3 per cent from 4.7 per cent in the year 2013-2014. Concerns surrounding the construction, mining, entrepreneur and collective businesses still co-exist with the further balancing of economy (Indian Economic Survey 2014-2015)<sup>10</sup>.

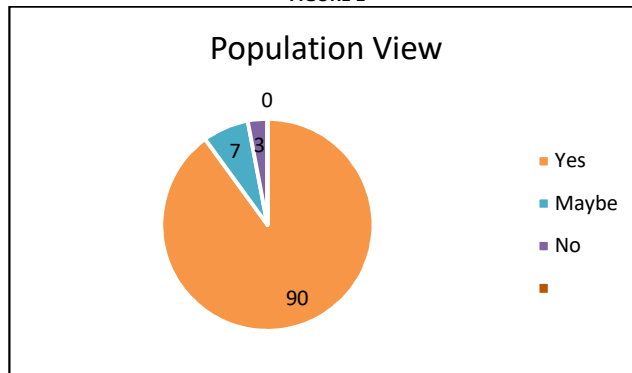
Hence, it is concluded that the Indian economy has significantly enhanced as well as stabilized since the reign of Prime Minister Modi in May 2013.

#### 4.1 ATTITUDE TOWARDS THE DRIVE

As per a survey conducted, the authors concluded that,

- (i) 90% of the population supported and applauded the campaign so started by the Modi government.
- (ii) 7% of the population was a little suspicious about the project, for them it was another futile project presented by the government in power.
- (iii) 3% of the population had the view that schemes like MUDRA were far more beneficial than Start-up India, Stand-up India and even Make in India.

FIGURE 1



#### 4.2 STAND-UP INDIA

The Standup India scheme launched to coincide with the celebration of the 125<sup>th</sup> birth anniversary of Dr. Babasaheb Bhimrao Ambedkar i.e. on April 5, 2016. It seeks to control the institutional credit structure to the extent of underserved sector of people such as Scheduled Caste, Scheduled Tribe and Women entrepreneurs so as to enable them to participate in the economic growth of the nation. The scheme tends to benefit at least 2.5 lakh borrowers through 1.25 lakh bank branch network located across the country.

The Standup India portal provides help based on three pillars to support enterprise promotion among entrepreneurs from SC, ST, Women category through- Handholding support, Providing Information on financing and Credit Guarantee

Standup India is a financial security scheme to support independent businesses of SC, ST and Women. The scheme offers others a composite loan between 10 lakhs rupees up to 1 crore rupees to the borrower. The rate of interest would be lowest applicable rate of the bank for that category. The loan is repayable in 7 years with a maximum moratorium period of 18 months<sup>11</sup> (Standup India official website 2016).

#### 4.3 START-UP INDIA

This is a scheme subsidiary to Make in India, to promote and provide entrepreneurship opportunities. The Prime Minister of India, Shri Narendra Modi in his Independence Day speech (15 August 2015) announced the "Start-up India" initiative and formally launched it on January 16, 2016. This initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive for growth of Start-ups. The objective is that India must become a nation of job creators instead of being a nation of job seekers(Startup India official website)<sup>12</sup>

##### 4.3.1 STARTUP - A DEFINITION

A startup is a young company that is just beginning to develop. Startups are usually small and initially financed and operated by a handful of founders or one individual. These companies offer a product or service that is not currently being offered elsewhere in the market, or that the founders believe is being offered in an inferior manner (Amy Fontinelle 2016)<sup>13</sup>.

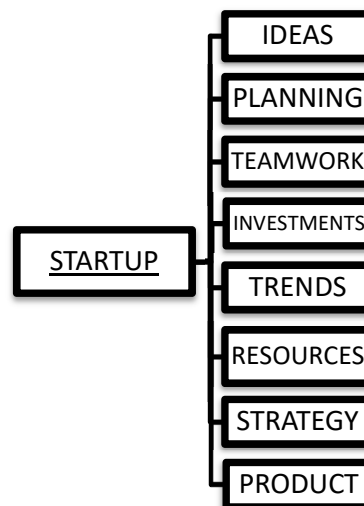
<sup>9</sup> Anant Vijay Kala and Eric Bellman (2016), *The Wall Street Journal*, Modi's First Two Years-Economic Report Card

<sup>10</sup> KPMG News

<sup>11</sup> official website, *Standup India*, URL: [www.standupindia.gov.in](http://www.standupindia.gov.in), accessed on September 30, 2016

<sup>12</sup> *Startup India*, official website, URL: [www.startupindia.gov.in](http://www.startupindia.gov.in)

<sup>13</sup> Amy Fontinelle, *Investopedia*, What exactly is a startup? (accessed on 13 September, 2016)

**4.3.2 ELEMENTS OF A STARTUP ARE-****FIGURE 2: STARTUP INDIA, OFFICIAL WEBSITE****4.3.3 OBJECTIVES BEHIND LAUNCH OF STARTUP INDIA**

After analyzing the Indian Economy, the need of this developing nation is extremely clear that-

- India needs to create skilled jobs i.e. employment for sizeable and growing workable age population along with almost 20 per cent in the age group 15-24 years (according to 2011 census). The nation needs to shift from consumption oriented to savings and investment oriented.
- The Indian economy needs to increase its trade transactions on global platform i.e. through healthy expansion of export numbers thus creating foreign capital to achieve its potential of a better functioning capital market.
- India needs to liberalize its financial markets and policies to attract domestic capital investments, foreign direct investments, and institutional capital. Also, to promote small and upcoming businesses. All the assets together add to the domestic capital treasury.

Startup India is a step towards achieving the above.

**4.3.4 ACTION PLAN**

The main method of action of the campaign so laid down by the government includes, compliance regime based on self-certification; Creation of a Startup India Hub; Rolling-out of Mobile App and Portal; Legal Support and Fast-tracking Patent Examination at Lower Costs; Relaxed Norms of Public Procurement for Startups; Providing Funding Support through a Fund of Funds with a Corpus of INR 10,000 crore; Faster Exit; Credit Guarantee Fund for Startups; Tax Exemption on Capital Gains; Tax Exemption for Startups for 3 years; Tax Exemption on investments above Fair Market Value; Organizing Startup Fests for Showcasing Innovation and Providing a Collaboration Platform; Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program; Harnessing Private Sector Expertise for Incubator Setup; Building Innovation Centres at National Institutes; Setting up of 7 New Research Parks Modeled on the Research Park Setup at IIT Madras; Promoting Startups in the Biotechnology Sector; Launching of Innovation Focused Programs for Students; Annual Incubator Grand Challenge<sup>14</sup>. (Startup India official website)

(For more details refer to Appendix-1: The Action Plan of Startup India Standup India)

**4.3.5 INDIA – U.S.A. COMPARISON**

The path so taken by the Modi government to plan, make and execute the campaign is an excellent one. On a comparison with USA the authors concluded that the campaign was a better success than that of USA a few years ago. The action plan of this Indian scheme includes hubs, education and a lot more which USA scheme failed to include. (For a detailed analysis, refer to Appendix-2)

**4.3.6 MANAGEMENT AND EXECUTION**

Since the launch of the Startup India initiative in January 2016, considerable progress has been made. The Government of India believes that involvement of the State Governments is crucial to achieve the envisioned goals of the Startup India initiative. In view of this, Department of Industrial Policy and Promotion (DIPP) organized a day-long Startup India States' Conference. The aim of the conference was to provide a platform to all the States to discuss the progress made and their good practices on the action points of Startup India initiative<sup>15</sup>.

Besides the states, all the stakeholders of the Startup ecosystem also participated in the event to exchange their ideas to build alliances the address government is committed to create world's best Startup ecosystem in India, to foster an enabling environment for startups, the minister announced that review meetings with all stakeholders of the Startup ecosystem will be held. She stated that in a series of dedicated meetings, she will also meet with incubators and accelerators, educational institutions with incubators or entrepreneurship cells, investors and angel networks, VCs and private equity firms, industry associations as well as with journalists dedicatedly covering the evolution of startup movement. The first one is scheduled on 28th July 2016 where she will meet the founders of Startups. Protection of intellectual property is imperative. For this a panel of facilitators has been constituted for assistance and support in filing applications for IPRs and DIPP will bear the facilitation and panel discussion with start-ups. The agenda of the Startup session was to share growth stories and expectations from the government. Founders should be flexible enough to make course corrections in the light of their experiences and they should strive for continual improvements to meet the expectations of users.

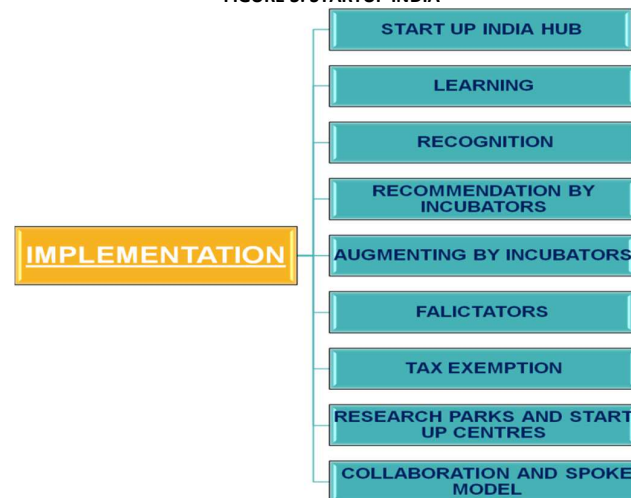
A panel discussion with incubators: The agenda of the discussion was frameworks and models to provide infrastructure, mentoring and handholding to startups, role of educational institutions in supporting the Startup ecosystem was discussed.

The missing links and hurdles in selection of right mentors was discussed. The panel also suggested to build State specific/sector specific incubation models. Accountability, break-even and sustainability of Startups was also discussed by the panel.

<sup>14</sup>Information gathered from *Startup India* official website, *Action Plan* pdf accessed on September 30, 2016.

<sup>15</sup> Start up India - Action Plan. Available from <http://startupindia.gov.in/actionplan.php>

FIGURE 3: STARTUP INDIA



Source: official website, URL: [www.startupindia.gov.in](http://www.startupindia.gov.in)

## 5. DISCUSSION

To understand the viability and the need of this scheme, a SWOT analysis has been performed.

### 5.1 SWOT ANALYSIS

#### 5.1.1 STRENGTHS

This campaign under Make in India gathers success since there are various foreign investors in the country at the present scenario.

The ease this campaign provides to Indians is its another strength. Since it is successful in motivating citizens to start independent businesses and not rely on the government provided employment solely.

The practice of implementation of its strong action plan makes it an ideal campaign for new comers as well as for the stability of Indian Economy.

Also, large per cent of the population of India is youth aging between 15 to 25 years. The young population takes more advantage of the campaign since they dream to independent and successful on their own hard work.

India has a large pool of engineering talent which can now be a part of IT sector by setting up their own business.

#### 5.1.2 WEAKNESS

One of the biggest barriers for the execution of this initiative is rampant corruption in India.

Also that this initiative is more inclined towards technology based startups than non-technology based startups which limit the scope of establishment of startups with ease. There are very few startups registered by the woman, SC and ST. It is also reported that technological parks established at IIT and NIT are not working efficiently.

There has been a large decrease in taxes for those who have come up with their own businesses which is favorable for the campaign and the economy of the nation, but on the same hand if such a huge exemption of taxes is provided along with less interest in more time repayable, it may result into a crisis for the maintenance of public property and society as a whole.

#### 5.1.3 OPPORTUNITIES

The major opportunity of this campaign was that its objective was the need of the hour in the country. It was as soon as this campaign was launched, the number of startup registrations multiplied.

India's demographic dividend which surpasses demographic dividend of USA and China is another opportunity for this campaign. India's population with a large proportion of those in the working age category will become the campaign's opportunity.

#### 5.1.4 THREATS

Taxation is primarily the driving factor behind deciding on the location for registering a company. One can look at the examples of MNCs registered in Ireland as it has a corporate taxation rate of 12.5%, which is considered one of the lowest in the world - Apple, Adobe, Accenture, Aviva Vodafone, etc.<sup>16</sup>

Flipkart is biggest example of startup which wasn't registered in India and shows the weak policies of India over other countries which are lucrative for Startups. Lack of Awareness is another threat to this campaign. Minorities who live far from cities and towns in isolation are still not aware of this government initiative they could benefit from.

Brain drain and affection for abroad nations still persists in the minds of citizens of India. It is in no time that majority of people grab the opportunity to settle in abroad nations and set up their businesses there, which thus becomes a threat to the campaign.

India's ranking in 'Ease of Doing Business' category still is 189 in the world, making it a difficult country to start business in.

## 6.1 CONCLUSION

With the accelerated growth in organized sectors of India, the authors saw many homegrown ventures with capacity to deliver high quality products and technology. Startups have now become the flavor of India post launch of schemes like Make in India, Digital India and SETU (Self utilization and Talent Utilization).

The campaign all in all is a success in accordance to the call for development and economic stability in India. More number of Startups could be promoted but the ones which are already into existence under this campaign are stable and earning enough profits. The campaign supports the economy of the nation. Also that this initiative is a satisfying platform to eliminate obstacles and thus has a good potential to bring all the startups under one framework for promoting more production at home and also promote employment opportunities. With this initiative the problem of shutting down of startups due to financial reason is expected to decrease as the setup includes easy procurement of finance and loans. Thus we conclude that there exist some threats like taxation rates but if implemented in the direction cited and as recommended, more startups will come into existence resulting into more employment and henceforth, Indian Financial markets are bound to flourish.

## 7. RECOMMENDATIONS

### 7.1 YOUNG ENTREPRENEURS AND CITIZENS

The young entrepreneurs and citizens must use this opportunity to its best. According to the report by Start-up India (Government of India), around 882 applications all over India were received to get a start-up registered under this scheme and out of which only 3 were eligible for availing tax benefits. Young entrepreneurs must take initiative to take the benefits of this campaign like tax exemption, mentoring, and recommendations by incubators and many more.

<sup>16</sup>. Start-up India - Available from - Swamiti Initiative-[www.swamiti.com/wp-content/uploads/2015/09/Start-up-India-Stand-up-India-.pdf](http://www.swamiti.com/wp-content/uploads/2015/09/Start-up-India-Stand-up-India-.pdf)

**7.2 ROLE OF BIG COMPANIES**

Many corporates are now shifting their focus from investments into their own research and development to investments in multiple source of innovation, focusing in particular on technology based startups – Nandan Nilekani is investing US\$ 1-2 million in startups in many sectors including telecom, aerospace, publishing, logistics etc. Ratan Tata recently invested an undisclosed sum in Tracxn, a Bangalore-based startup intelligence firm. Hence, more and more large businesses should assist the startups with innovation in products and IPR.

Also, in a society such that of India's, lowering taxes at a considerable rate or exempting taxes for a large number of citizens, only to initiate independent businesses is not feasible, since all the activities so conducted by the government for the benefit of the citizens are carried out from the taxes the masses pay. Lowering taxes is thus directly proportional to the services provided by the government.

Henceforth, it is concluded that liberalizing tax schemes to a great extent is not recommended, at least for the time being, taking into account the present developing-nation scenario of our country.

**APPENDIX – 1: ACTION PLAN OF STARTUP INDIA STANDUP INDIA**

The action plan of Start-up India campaign included 19 main objectives.

1. **Acceptance and Compliance of Self-Certified Documents:** The aim behind it is to reduce supervisory burden on startups henceforth letting them to pay full attention over their core business planning and activities and thus keep the compliance cost as low as possible.
2. **Creation of a Startup India Hub:** The objective behind it is to create a common point of contact for the whole Startup Ecosystem and thus enable them with knowledge through exchange and also provide an easy access to fund money.
3. **Availability of a Mobile App and a common Portal:** The main aim behind the same is to use the benefits of the developed technology and thus make it serve as a single platform for all the Startups to interact with the Modi Government and Regulatory Institutions for all business needs and information exchange amongst various stakeholders.
4. **Legal Backing and Fast Patent providing at extremely Low Costs:** The main objective behind the same is to encourage the acceptance of IPRs by Start-ups and enabling them in shielding and commercializing the IPRs by providing access to high quality Intellectual Property services and resources which include fast-track examination of patent applications and rebate in fees.
5. **Faster Exit for Start-ups:** The objective behind the same is that if the individual finds difficulty in handling the startup, it is easy for him to wind up operations and exit the market.
6. **Relaxed Norms of Public Procurement for Start-ups:** The objective behind it is to provide an equal stage to Start-ups in the manufacturing sector concerning the experiences of entrepreneurs and that of companies in public procurement sector.
7. **Offer Funding Support:** The objective is to provide funding support for development and growth of innovation driven enterprises.
8. **Credit Guarantee Fund for Startups:** The objective is to promote entrepreneurship by providing enough credit to innovators across all the sections of Indian society.
9. **Tax Exemption on Capital Gains:** The objective is to promote investments into the Start-ups sector by assembling the capital gains ascending out from the sale of capital assets.
10. **Tax Exemption for Startups for 3 years:** The objective is to promote the healthy growth of start-ups and address all working capital requirements for them.
11. **Tax Exemption on investments above Fair Market Value:** The objective is to boost seed-capital investment in Start-ups.
12. **Organizing Startup Festivals for Showcasing Innovation and Providing a Collaboration Platform:** The objective behind it is to stimulate the Start-up ecosystem and to deliver a national and international visibility to the start-ups ecosystem in India.
13. **Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program:** The objective is to serve as a stage for promotion of world-class, technology driven, Innovation Hubs, Grand Challenges, Start-up Businesses and other self-employment initiatives.
14. **Harnessing Private Sector Expertise for Incubator Setup:** The objective is to make sure the professional management of Government backed and funded incubators. Also, the government would generate policies and framework for setting-up of incubators across the country in public-private partnership.
15. **Building Innovation Centres at National Institutes:** The objective is to push successful innovation through intensification and incubation.
16. **Setting up of 7 New Research Parks Modeled on the Research Park Setup at IIT Madras:** The objective is to drive successful innovation through cultivation of ideas and joint efforts between academia and industry.
17. **Promotion Start-ups in the Biotechnology Sector:** The objective is to speed up and smooth the bio-entrepreneurship.
18. **Launch of Innovation Focused Programs for Students:** The objective is to create a philosophy of innovation in the field of Science and Technology amid the next generation.
19. **Annual Incubator Grand Challenge:** The objective is to support creation of successful world class incubators in India.



**APPENDIX – 2: COMPARISON OF INDIA WITH OTHER DEVELOPED COUNTRIES**

Comparison of India with USA

| INDIA  | USA  |
|--|--|
| <b>1. Financial Support</b>  |  |
| Funds: India provides a funding support to the Start-ups through a Fund of Funds with a Corpus of INR 10,000 crore.  | Funds: The Small Business Administration (SBA) commits \$2 billion as a match to private sector investment for the next five years and \$1 billion as early-stage innovation fund.<br>The Small Business Innovative Research Grant Program (SBIR), a federal program coordinated by the SBA for small businesses to help fund R&D, awards nearly \$2.5 billion annually through contracts or grants to businesses pursuing projects that have the potential for commercialization and meet specific U.S. government needs.<br>Small Business Technology Transfer Grant Program (STTR) expands funding opportunities in innovation by offering grants to small businesses to formally collaborate with research institutions.   |
| Tax: Tax Exemption on Capital Gains, income tax and investments above fair market value: exemption shall be provided to all those persons who have capital gains during the year, provided they have necessarily invested in the funds so provided by the Government of India. The profits of Start-up initiatives are also exempted from income-tax for a time span of 3 years.   | Tax: Permanent elimination of the capital gains tax for a certain kind of small businesses.  |
| Credit: Credit Guarantee Fund for Start-ups: National Credit Guarantee Trust Company (NCGTC) is being envisaged with a budgetary Corpus of INR 500 crore per year for the time span of next 4 years.   | Credit: The Internal Revenue Service has designed the federal R&D tax credit, an activity-based credit intended to incentivize investments in innovation within the United States which has been made permanent by the passing of the Protecting Americans from Tax Hikes (PATH) Act of 2015.<br>The PATH Act allows certain eligible small businesses, to offset the Alternative Minimum Tax (AMT) with R&D credits or qualified small businesses to elect annually for five taxable years to take up to \$250,000 in credits against the employer's portion of federal payroll taxes (FICA). The research activities under this credit scheme must meet the following four criteria: <ul style="list-style-type: none"> <li>• <b>Permitted Purpose Test</b></li> <li>• <b>Process of Experimentation Test</b></li> <li>• <b>Technological in Nature Test</b></li> <li>• <b>Uncertainty Test</b></li> </ul> |
| <b>2. Incubation and Innovation</b>  |  |
| (a) Mentorship: Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program with two core functions: <ul style="list-style-type: none"> <li>• Entrepreneurship promotion: to provide support and mentorship.</li> <li>• Innovation promotion: to present a platform for generation and sharing of ideas.</li> </ul>   | (a) Mentorship: SBA and Department of Energy launched mentorship program for new incubators to help vets start high-growth businesses.<br>The Start-up America Partnership ( <a href="http://www.startupamericapartnership.org">www.startupamericapartnership.org</a> ) is an alliance of powerful businessmen and leaders. Together they aim to grow the entrepreneurial ecosystems that support innovative, high-growth U.S. start-ups.  |
| (b) Education: The government has aimed to provide both, working aged as well as high school aged citizens the education regarding entrepreneurship. It has set up 7 research parks for the same.  | (b) Education: NFTE had announced new programs to provide support to young entrepreneurs through innovative teaching and learning efforts.<br>U.S. Chamber of Commerce expands the scope through more programs for young entrepreneurs.  |
| (c) Fests and Events: Organizing Start-up Fests and events at national and international stages aim at Showcasing Innovation and Providing a Collaboration Platform.<br>Annual Incubator Grand Challenge: The exercise shall include the following: <ul style="list-style-type: none"> <li>• Open invitation of applications from incubators</li> <li>• Screening and evaluation based on pre-defined Key Performance Indicators (KPIs) The Incubator Grand Challenge will be an annual exercise to promote start-ups in India.</li> </ul> | (c) Fests and Events: USA does not have any such provisions  |
| <b>3. Simplification of Procedures</b>   |  |
| (a) Policy relaxations: Self-Certification has been launched to reduce the regulatory burden on young Start-ups. Labour law and environment law regulations have been relaxed for them.<br>Quick Legal support at low costs to be provided.<br>Leaving the market has been liberalised and many more beneficial relaxations have been provided under the Start-up India campaign.  | (a) Policy Relaxations: Top leaders frequently announce national tours to support and increase public participation in removing significant barriers in the path of entrepreneurship.<br>U.S. Patent & Trademark Office (USPTO) has given applicants greater control over examination timings and therefore empowers them with fast-track examination within 12 months.  |
| (b) Quality check and Make in India: The Government also provides an exemption to young Start-ups (in the manufacturing sector) from the parameter of 'Prior experience', given that they have to demonstrate their capabilities to earn decent profits for themselves in the manufacturing sector.  | (b) Quality check: No such provisions were introduced in U.S.A.  |
| (c) Start-up India Hub: A mobile app and a common portal with the help of technology present has been created to provide a common platform to all to share their details, grievances and achievements. It also enables the entrepreneur to seek help from the right authorities.   | (c) Start-up Hub: No such provisions were introduced.  |



TABLE 1

|  | India   | China  | Israel | Singapore                             | Japan | US     |
|--|---------|--------|--------|---------------------------------------|-------|--------|
| Total no. of startups (~)                | 10,000  | 10,000 | 4,750  | N.A.                                  | N.A.  | 83,000 |
| Tech-based startups                      | 4,300   | 3,400  | 4,000  | N.A.                                  | N.A.  | 48,500 |
| Non-tech based startups                  | 5,700   | 6,600  | 750    | N.A.                                  | N.A.  | 34,500 |
| Set up a new business (Days)             | 30 – 60 | 30     | 13     | 2                                     | 10    | 4      |
| Corporate tax rate                       | 34%     | 25%    | 26%    | 17% (100% tax exemption for startups) | 34%   | 39%    |
| No. of Tax payments by businesses (p.a.) | 33      | 9      | TBD    | TBD                                   | TBD   | 11     |
| Bank lending rate                        | 10.3%   | 5.6%   | 3.9%   | 5.4%                                  | 1.2%  | 3.3%   |
| R&D spending % of GDP (Est. 2014)        | 0.85%   | 1.90%  | 4.20%  | n/a                                   | 3.40  | 2.80%  |

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