

# START-UP AND STAND UP-GIVING MIDAS TOUCH TO INDIAN ECONOMY

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**Abstract**-Start-Ups have played and continue to play an important role in the growth, development and industrialization of many economies. The prime minister of India Shree Narendra Modi launched his full action plan on 'Start-Up India, Stand Up India' on January 16th 2016 to turn the youth from job-seekers to job-creators.

The economy of India is seventh largest in the world by nominal GDP and third largest by purchasing power parity and the international businesses communities accepts India as one of the most attractive destination for investment. As per the NASSCOM report, India stands in the third position with 4200 new age companies among the global start-ups eco system.

Indian start-ups is a start-up ecosystem bringing together entrepreneur ,investors and partners throughout India and across the globe to help nurture, nourish and empower new growing start-ups.

The objective of the study is to determine the constraints faced by the start-ups companies and to suggest mechanism for encouraging Start up and improving their survival rates. As with any central government initiative, the success of program lies in its ability to percolate its benefits to intended beneficiaries and also ensures its implementation at the grass roots.

**Index Terms**-Start-up , GDP ,Purchasing Power Parity, NASSCOM.

## 1. INTRODUCTION

The 'Make in India' initiative has already harvested an incredible response from promising young entrepreneurs who have innovative ideas on running a business. The Indian youth is geared up for a sea of new opportunities & the Indian government's support through the 'make in India' endeavour is a great support. Start-ups India has been a very motivating event that has brought to the fore the power of India's start-ups ecosystem. It has also highlighted the ability of Indians to innovate and solve the unique problems that we face in our country. It is heartening to see the government's resolve to empower and grow the ecosystem.

## 2. OBJECTIVES OF STARTUPS AND STAND UP PLANS IN INDIA

Addressing the first conference of start-up entrepreneurs, Prime Minister Narendra Modi had announced the action plan for start-ups which boost employment generation and wealth formation.

### 2.1 A START-UP INDIA HUB

A start-up India hub will be created as a single point of contact for the entire start-up ecosystem to enable knowledge exchange and access to funding.

### 2.2 SIMPLIFYING THE START-UP PROCESS

A start-up will be able to set up by just filling up a simple form through a mobile app and online portal so start-ups can be registered in a day. There will also be a portal for clearances, approvals and registrations.

### 2.3 RELAXED NORMS OF PUBLIC PROCUREMENT FOR START-UPS.

To boost young entrepreneurs and innovation the central government has decided to provide equal platform to start-ups. And for this they bear the entire cost of facilitation for filing of patents, trademarks or designs and the start-ups would only have to pay the statutory fees.

### 2.4 80 PER CENT REBATE ON FILING PATENT APPLICATIONS BY START-UPS.

Patent fee for start-ups will be reduced by 80 per cent. This will be an incentive for start-ups to take part in innovation and creativity.

## **2.5 PANEL OF FACILITATORS TO PROVIDE LEGAL SUPPORT AND ASSIST IN FILING OF PATENT APPLICATION**

Start-ups will be helped through facilitation centres by lawyers to file patents without any charges. They provide complete legal support and also assist in each and every phase to settle down a start-up.

## **2.6 COMPLIANCE REGIME BASED ON SELF-CERTIFICATION**

The objective of compliance regime based on self-certification is to reduce the regulatory burden on start-ups. This self-certification will apply to laws like payment of gratuity, contract labour, employee's provident fund, water and air pollution acts.

## **2.7 PATENT PROTECTION**

The government is also working on a legal support for fast-tracking patent examination at lower costs. It will promote awareness and adoption of Intellectual Property Rights (IPRs) by start-ups and help them protect and commercialize IPRs.

## **2.8 CREDIT GUARANTEE FUND**

A National Credit Guarantee Trust Company is being envisaged with a budgetary allocation of Rs 500 crore per year for the next four years.

## **2.9 FUNDS OF FUNDS WITH A CORPUS OF RS 10,000 CRORE**

The credit guarantee fund for start-ups would help flow of venture debt from the banking system to start-ups by standing guarantee against risks.

## **2.10 EXEMPTION FROM CAPITAL GAINS TAX**

Currently, investments by venture capital funds in start-ups are exempt from this law. Now, the same is being extended to investments made by incubators in start-ups.

## **2.11 TAX EXEMPTION FOR START-UPS**

Income tax exemption to start-ups announced for three years & also Tax exemption on investments above Fair Market Value.

## **2.12 START-UPS FESTS**

To make the world class incubators there will also be an annual incubator.

## **2.13 LAUNCH OF ATAL INNOVATION MISSION**

Atal Innovation Mission started to give an impetus to innovation and encourage the talent among the people.

## **2.14 SETTING UP OF 35 NEW INCUBATORS IN INSTITUTIONS**

PPP model being considered for 35 new incubators, 31 innovation centres' at national institutes.

## **2.15 FASTER EXITS FOR START-UPS**

It is very essential for start-ups for growing more rapidly; it will give new life or new business opportunity to an entrepreneur.

## **3. BENEFITS OF START-UP & STAND-UP**

Start-up India in an action plan to develop an ecosystem to promote and nurture entrepreneurship across the country. This is based on an action plan aimed at promoting bank financing for start-up ventures to boost entrepreneurship and encourage start-ups with jobs creation. There are following advantages of this scheme.

### **3.1 NO INSPECTION**

Under the Scheme, no inspection would be carried out on start-ups for three years regarding labour laws.

### **3.2 POST-SELF CERTIFICATION**

Environment law compliance is required only post-self-certification.

### **3.3 EASY REGISTRARTION PROCESS**

The government is launching a mobile app on 1 April 2016 and a portal that will allow companies to register in a day.

### **3.4 SINGLE WINDOW**

There would be a single point of contact for Start-up India hub. In addition, there will be single window clearance for clearances, approvals, and registrations.

### 3.5 EXEMPTED FROM PRIOR 'EXPERIENCE/ TURNOVER

Start-ups in the manufacturing sector are exempted from the criteria of prior 'experience/ turnover' without any relaxation in quality standards or technical parameters in public procurement.

### 3.6 NEW FUNDING CRITERIA

Rs10, 000-crore fund for new enterprises, equal opportunity in government procurement, an Rs500-crore credit guarantee scheme and easier exit norms.

### 3.7 INCOME TAX EXEMPTION

Under the Scheme, Income Tax exemption is available for first three years. However, the start-up will be eligible for tax benefits only after obtaining certificate from the Inter-Ministerial Board, setup for this purpose.

### 3.8 EXEMPTION IN CAPITAL GAINS TAX

If the money is invested in fund of funds recognized by the government, the investor can claim capital gains tax exemptions. In addition, existing capital gain tax exemption for investment in newly formed MSMEs by individuals shall be extended to all start-ups.

### 3.9 SIMPLE ELIGIBILITY START UP CRITERIA

To be considered as eligible as start up the entity, should be supported by:

- A recommendation (with regard to innovative nature of business), in a format specified by DIPP, from an Incubator established in a post-graduate college in India.
- An incubator, which is funded (in relation to the project) from government of India as part of any specified scheme to promote innovation.
- A recommendation (with regard to innovative nature of business), in a format specified by DIPP, from an Incubator recognized by government of India.
- Be funded by an Incubation Fund/ Angel Fund/ Private Equity Fund/ Accelerator/Angel Network duly registered with SEBI that endorses innovative nature of the business or
- Be funded by government of India as part of any specified scheme to promote innovation or
- Have a patent granted by the Indian Patent and Trademark Office in areas affiliated with the nature of business being promoted.

### 3.10 FASTER PATENT REGISTRATION AND PROTECTION FOR INTELLECTUAL PROPERTY RIGHTS

In patent costs, the start-ups can claim an 80% rebate, Faster patent registration and protection for Intellectual Property Rights (IPRs) is provided under the Scheme. Patent filing procedures to be simplified. Significant reduction in fees for filing Patents.

## 4. HOW START-UP & STAND-UP SCHEME IS GIVING MIDAS TOUCH TO INDIAN ECONOMY

Nasscom along with Zinnov launched the second edition of the start-up report titled "Start-up India - Momentous Rise of the Indian Start-up Ecosystem" on the of Nasscom Product Conclave 2015.

Some key highlighted of this report is given below:

- According to NASSCOM India ranks third among global start-up ecosystems with more than 4,200 new-age companies, IT industry.
- India is the youngest start-up nation in the world and 72 per cent of the founders are less than 35 years old.
- It also says more than 50 per cent of the 1,200 start-ups focus on e-commerce, consumer services and aggregators; and female founders and co-founders in start-up ecosystem is around nine per cent.
- Nasscom from its report also said with 100 per cent growth in number of private equity, venture capitalists, angel investors along with 125 per cent growth in funding over last year, and Indian start-up ecosystem has risen to the next level.
- The total funding in India based start-ups is estimated to be nearly \$5 billion by 2015, it said, adding that various central and state government start-up initiatives are further supporting this progressive phase of start-ups in India.
- Three to four start-ups being born every day, and nearly five billion dollars of funding coming in 2015.
- Noting that India is just after the US and the UK, Chandrashekar, president of NASSCOM said, "Israel is the country that we have just overtaken and if all goes well next year we will be second."

India witnessed the largest infusion of capital from overseas through venture capital funds in the year 2014 in the indigenous start-ups. After the inception of new government in the centre, an optimistic view has been developed around the growth story of Indian economy.

## CONCLUSION

Tech start-ups are leading the growth of start-up era and it is ready to boost revenue generated by IT-BPM sector by almost 12-14 per cent for the current fiscal year as well. It is anticipated that the e-commerce market of India will grow by more than 50% within the next five years.

This government has also started working towards improving India's rank in World Bank ease of doing business in which India is currently ranked at 142 positions. This will definitely boost the start-ups of the country. Foreign investors have started looking towards India as a favourable investment destination. Indian start-ups are proving to be the major tool for diverting a huge chunk of foreign wealth into the Indian economy.

Developed nations are now looking towards fast growing and emerging nations such as India to tap the huge untapped potential in these markets. In the recent years, different countries are taking different initiatives to link up their businesses with the Indian start-ups. For Example Zone Start-ups based in Toronto Canada is also conducting research to understand Indian taste, culture and requirements that they can fulfil. It is said that almost all global giants such as Walmart, Goldman Sachs, Target, Thomson Reuters are eyeing towards Indian start-ups to tap the huge business opportunity.

Start-ups are flourishing in India not only in the field of internet but in various other fields as well. Educational tech start-ups are a new hot bee among various investors since it is anticipated that the complete educational system will be digitized in the near future.

Considering the importance of role that the Indian start-ups are all set to play in the growth of Indian economy, the amount of income and the huge number of jobs that can be created by facilitating start-ups, even the market regulator Securities and Exchange Board of India (SEBI) has also relaxed some rules to facilitate the flow of funds from the market to the start-ups.

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