



Government initiatives' contribution to e-startup growth

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Abstract

Indian e-startups have been operating for a few years, but until 2016, there was no government portal such as Startup India, which was launched on January 16, 2016, and gives startups a platform for self-registration, funding support, and mentoring. This means that prior to 2016, e-startups and startups were not recognized in India; instead, they were recognized as such because they had all been registered in accordance with the Companies Act of 2013. However, after the launch of this portal, e-startups and startups can benefit from more than fifty schemes, but only those who will be registered as startups through the startup portal. A 2017 survey revealed that only 11% of people and startups were aware of these programmes.

Keywords: Government, startup, schemes, states contribution, startup India

Introduction

The Startup India Initiative provides a number of programs to help companies with infrastructure and funding. Through qualified incubators, the Startup India Seed Fund Scheme offers entrepreneurs financial support for proof of concept, prototype development, product testing, market entry, and commercialization. A novel attempt to capitalize on the power of competitive federalism and establish a thriving startup environment nationwide is the States' Startup Ranking Framework. The ranking exercise's main goals are to help states find, learn from, and replace best practices; highlight state policy interventions to support the startup ecosystem; and encourage competition among states. The Ministry of Commerce and Industry mentioned a number of significant initiatives that the Indian government has developed specifically to encourage startups among the country's youth.

A change in the region's infrastructure is also brought about by the growth of startups. There is a need for better infrastructure to handle the growing population as people move to these emerging entrepreneurial hubs in search of work opportunities. This in turn leads to investments in basic facilities like lodging, restaurants, and transit, creating a wealth of employment opportunities and increasing the city's income sources. Notwithstanding these commendable endeavors, the startup encounters challenges that are exacerbated by disturbances in the worldwide supply chain, culminating in a scarcity of funds. Indian businesses, including unicorns like Unacademy, Byju's, Vedantu, and Cars24, that depend heavily on foreign funding have been particularly severely hit and have had to lay off employees. Over 12,000 Indian start-up employees have reportedly been impacted by these layoffs, suggesting wider repercussions for the global tech and start-up sector.

Schemes for startups

Action Plan for Startup India: On January 16, 2016, this initiative got underway. It consists of 19 action plans that promote India's thriving startup scene.

Fund of Funds for Startups (FFS) Scheme: This approach has been quite successful in meeting businesses' financing requirements. FFS started out with a Rs 10,000 crore initial investment. DPIIT is in charge of overseeing the strategy, while SIDBI is in charge of its operation.

Credit Guarantee Scheme for Startups (CGSS): Under this program, startups approved by DPIIT receive credit guarantees up to a predetermined amount.

Access to Global Markets for Indian Startups: Startup Additionally, India established a platform for entrepreneurs to encourage global cooperation.

Indian Startups' Access to International Markets: Additionally, India established a platform for entrepreneurs to encourage global cooperation.

Startup India Hub: Launched on June 19th, 2017, this online platform enables companies to interact and work together with fund providers, investors, incubators, government agencies, and other stakeholders.

National Advisory Council for Startups: Notifying the National Startup Advisory Council in January 2020 was a very good move on the part of the government. Its duty is to provide recommendations for tactics that support entrepreneurs and innovation.

Three-year income tax exemption: A tax holiday policy for business owners was created by the Union Budget in 2017, offering a 100% tax exemption for the first three to ten years of operation. A one-year extension till March 2025 has been granted to the interim budget for 2024–2025.

SISFS, or Startup India Seed Fund Scheme: The goal of this plan is to give the startup seed money. In 2021–2022, Rs 945 Crore was approved for four years under this initiative.

The National Startup Awards (NSA) were created specifically to support creative enterprises, increase employment, and have a positive social impact.

Innovation Week at Startup India: The Indian government hosts Startup India Innovation Week to celebrate the Startup India initiative and to encourage entrepreneurship. The primary objective is to bring together financial organizations, academicians, and entrepreneurs' mentors to discuss many elements of the startups' needs and to support nascent businesses.

MSH, or MeitY Start-up Hub: To help tech startups support innovations and technological growth, the Ministry of Electronics & Information Technology established a MeitY Start-up Hub.

SAMRIDH Scheme: SAMRIDH is a startup accelerator for the creation, expansion, and innovation of products. This scheme's primary goal is to give companies the right kind of financial help and finance.

Government initiatives in different epochs

From 2015 to the present on a number of topics, including data protection, competition, regulation, taxation, and technical aspects (economic periods), the government is still working on establishing standards for the e-commerce or e-startup industry. April 25, 2018 A Self Employment and Talent Utilization (SETU) was created in the 2015 Union Budget to assist from the seed financing stage to their growth stage. The government introduced the StartupIndia platform for online self-registration in 2016. Angel tax was removed in 2016 with some restrictions. A Committee on Financial and Regulatory Technologies (CFRT) was established by SEBI in 2017 to oversee equity crowdfunding. With the introduction of the GST on July 1, 2017, there was less paperwork because of the uniform tax rate and more vendors using online portals. The Indian e-startup market was worth US\$39 billion as of 2017. The SEBI (Alternative Investment Funds) Regulations, an act passed on May 21, 2012, classified numerous schemes from 2010 to 2015 into four categories: (i) Venture Capital Funds; (ii) Social Venture Funds; (iii) SME Funds; and (iv) Infrastructure Funds. The 30.9% angel tax was announced in 2012, and SEBI published a consultation paper on crowdfunding in India in 2014, defining it as a way to raise funds for artistic endeavors.

100% FDI has been permitted by the automatic route (i.e., without prior government approval) for wholesale trade firms, including B2B e-commerce, in accordance with paragraph 6.2.16 of the Consolidated FDI policy 2015.

The years 1995 to 2000 adage a number of innovations, such as the introduction of the internet in India in 1995, the launch of the online marriage marketplace Shaadi.com in 1996, the launch of the online job portal Naukri.com in 1997, and others. The Central Government-controlled SIDBI Venture Capital Limited (SVCL) 1999 and IFCI Venture Capital Funds Limited (IVCF) 2000, as well as a few State Government-controlled development finance institutions like Kerala Venture Capital Fund Pvt Ltd. 1999 and Punjab InfoTech Venture Fund 1999, as well as private sector organizations like IL&FS Trust Company Limited 1995 and Infinity Venture India Fund 1999, provided venture capital assistance to support these initiatives. In 2000, there were approximate 5.5 million persons using the internet.

Table 1: Brief summary of startup policy according to state wise

State name	Policy name	Nodel agency	Financial help	Steps ahead	Institution support	Number of startups
Gujarat	Electronics & IT/ITeS Start-up Policy (2016-21)	Industries Commissionera te, Government of Gujarat	Rs. 10,000/- per month will be provided to the innovator as sustenance allowance for one year.	assistance of up to Rs. 10 lakh to launch a product in the market	Up to Rs. 5 Lakhs assistance will be provided to the institution for mentoring service annually.	30+
Jharkhand	Jharkhand Startup	Department of Information	reimburse 50% of the cost incurred on lease	One time marketing	Selected incubators will be provided with Rs. 50	72+

	Policy 2016	Technology and E-Governance	rentals by Startups, with a maximum limit of Rs. 5 lakh per year for a period of 3 years Stipend of Rs. 5000 per month for up to 3 members of the startup	grant of maximum Rs. 10 lakh	lakh a year for a period of 5 years	
Karnataka	Karnataka Startup Policy 2015-2020	Department of Information Technology, Biotechnology and Science & Technology, Government of Karnataka	For Domestic Patents reimburse up to Rs. 2 lakh And for marketing exp 30% reimburse max. Limit 5 lakh		Selected incubators will be provided with Rs. 50 lakh a year for a period of 5 years	1369+
West Bengal	West Bengal Startup Policy 2016	Department of Micro, Small & Medium Enterprises & Textiles, Government of West Bengal		assistance of up to Rs. 10 lakh to launch a product in the market	Up to Rs 10 lakhs to Universities in the State to create a central Entrepreneurship Development Centre (EDC)	287+
Uttar Pradesh	Uttar Pradesh Information Technology and Startup Policy 2016	Consultant – KPMG advisory services Pvt. Ltd.	Startups shall be provided sustenance allowance of INR 15,000 per month for a period of 1 year	One time marketing grant of maximum Rs. 10 lakh	Non fiscal benefit	716+
Odisha	Odisha Startup Policy 2016	Department of Micro, Small & Medium Enterprises	monthly sustenance allowance of Rs. 20,000 for one year	assistance of up to Rs. 15 lakh to launch a product in the market	One-Time Capital Grant of 50% of the capital cost (excluding the cost of building) up to a maximum of Rs.1 crore	170+
Andhra Pradesh	Andhra Pradesh Innovation & Startup Policy 2014	Department of Information Technology, Electronics & Communication	startups will be provided 50% (100% for SC / ST & women entrepreneurs) reimbursement for the exhibition		A rebate on the cost of land will be provided at Rs. 60,000 per employee for Mega IT Projects and Rs. 40,000 per employee for small scale IT Projects	163+
Bihar	Bihar startup policy 2017	Department of Industries	10% of spaces in forthcoming industrial park	Seed grant Rs. 10lakh	Incubators will be reimbursed the cost of incubating a startup, with a maximum limit of Rs. 2 lakh per incubatee.	92+
Chhattisgarh	Chhattisgarh Innovation and Entrepreneurship Development Policy 2016	Chhattisgarh Infotech Promotion Society (CHIPS)	Leap of Fath Revolving (LoFR) Fund will provide upto Rs. 50 lakh of interest free recovered within a period of 3 years.	assistance of up to Rs. 10 lakh to launch a product	A one time grant for capital Rs, 50 lakh	98+
Rajasthan	Rajasthan Startup Policy 2015	Department of Information Technology & Communication (DoIT & C)	Rs. 10,000/- per month will be provided to the innovator as sustenance allowance for one year	assistance of up to Rs. 10 lakh to launch a product	The colleges will be given a one-time grant of Rs. 10 lakh to establish and operate an E-Cell.	247+
Telangana	Telangana Innovation Policy 2016	information Technology, Electronics and Communication	An investment subsidy of 20% of the value of the Capital Expenditure, other than land and	uP to 5 lakh	information Technology, Electronics and Communications	508+

		ns Department	building, shall be provided to Incubator. This subsidy shall be limited to a maximum of Rs. 30 Lakhs.		Department	
Himachal Pradesh	Chief Minister's Startup/Innovation/Projects /New Industries Scheme	Department of Industries	State cooperative banks will be provided interest subvention @5% up to a loan of Rs 25lakh for three years.	Rs. 25,000/- per month will be provided to innovative projects as sustenance allowance for a period of one year.	maximum of Rs. 30 lakh per incubator per year upto a period of three years.	13+
Goa	Goa Startup Policy-2017	Department of Information Technology	A onetime loan of up to Rs. 10 lacs, for start-ups that have developed a Minimum Viable Product will be provided	assistance of up to Rs. 10 lakh to launch a product	he educators/fellows upon selection would receive an educational grant of Rs. 10 lacs per year, for a period of five years.	31+
Kerala	Kerala Startup policy 2014	Kerala Startup Mission (KSUM), G3B, Thejaswini, Technopark, Trivandrum	Rs. 2 Lakhs per innovative idea /startup and this shall be to startups within the state	Seed funding maximum of Rs. 25 Lakhs per venture or 90% of the initial cost of the project, whichever is lower.		281+
Madhya Pradesh	MP Incubation and Startup Policy 2016	department of MSME	For Domestic Patents reimburse up to Rs. 3 lakh	assistance of up to Rs. 10 lakh to launch a product	Eligible incubators shall be provided mentoring assistance support on reimbursement basis upto a limit of Rs. 2 Lakhs per year for a period of 3 years.	219+
Haryana	Haryana Entrepreneur & Startup Policy-2017	Haryana State Electronics Development Corporation Limited	Reimbursement of 25% of lease rental subsidy	A Seed Grant up to INR 3 Lakhs	Incubators shall be provided Mentoring Assistance support upto a limit of INR 3 lakh per year.	447+
Assam	Assam Startup Policy 2017	Department of Industries & Commerce	50% lease rental reimbursement for a maximum period of 3 years subject to a ceiling of INR 5 lakh	Seed grant up to Rs. 5 lakh	Financial assistance to encourage setting up of incubation centres by 75%	70+

Table: Self emended

Source: Startup India portal and Incs42 (Number of startups updated up to April 2018)

Conclusion

In conclusion, a paradigm shifts in entrepreneurial dynamics, marked by an unwavering commitment to innovation, agility, and adaptability, is reflected in the growth of startups in India. Even though they are still in their infancy, these fledgling companies have the potential to revolutionize entire industries, generate employment, and stimulate economic expansion. Through the use of disruptive technologies and novel business models, startups become vital forces for advancement, promoting socioeconomic growth and fostering an inventive culture. Their worth extends beyond financial calculations; they permeate society and foster a spirit of creativity and vitality. Startups also serve as talent incubators, attracting a diverse spectrum of individuals with a variety of backgrounds and specialties. One of the main forces behind India's growing startup ecosystem is the demographic dividend that the country's sizable working-age population—especially those between the ages of 20 and 24—provides. Entrepreneurship has become a popular choice for young people in contrast to the lack of government positions. With more than 77,000 DPIIT-backed businesses spread over 656 districts nationwide as of August 29, 2022, India had become the third-largest startup ecosystem in the world.

According to this study, e-startups can obtain funding from a variety of conventional and contemporary sources, but they are unable to raise the money through bank financing since they lack collateral security. As a result, they are able to draw in venture and angel investors for funding following their pitch. Venture investors, however, bear a very high risk because they essentially rely on the creative business strategy of e-startups and are not obligated to reimburse their investment in the event of a loss or closure. Therefore, the Indian government has launched a number of programs to encourage the startup culture. As stated in the above table, our government help through funding, registration, and mentorship to startups in each state.

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