



भारतीय श्रमिक शिक्षा संस्थान  
दत्तोपंत ठेंगडी राष्ट्रीय श्रमिक शिक्षा एवं विकास बोर्ड द्वारा संस्थापित  
श्रम एवं रोजगार मंत्रालय, भारत सरकार

श्रमिक शिक्षण भवन, ला.व. शास्त्री मार्ग, कुर्ला कोर्ट के पास, कुर्ला (पश्चिम) मुंबई- 400070

**Indian Institute of Workers Education**  
**Founded by Dattopant Thengadi National Board for Workers Education & Development**

Ministry of Labour & Employment, Govt. of India

Shramik Shikshan Bhavan, L.B.S. Marg, Near Kurla Court, Kurla (West) Mumbai 400070

Tel/Fax : 022-26503532 Tel. 26503965

email : [iiwemumbai@rediffmail.com](mailto:iiwemumbai@rediffmail.com)

**LIBRARY AND DOCUMENTATION CENTRE**

# Facts For You

FEBRUARY, 2023

## Startup India

#startupindia

### What are Startups?

The term startup refers to a company in the first stages of operations. Startups are founded by one or more entrepreneurs who want to develop a product or service for which they believe there is demand.

Startup means an entity, incorporated or registered in India not prior to five years, with annual turnover not exceeding INR 25 crore in any preceding financial year, working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property, provided that such entity is not formed by splitting up, or reconstruction, of a business already in existence. Also

provided that an entity shall cease to be a Startup if its turnover for the previous financial years has exceeded INR 25 crore or it has completed 5 years from the date of incorporation/ registration. Further provided that a Startup shall be eligible for tax benefits only after it has obtained certification from the Inter-Ministerial Board, setup for such purpose.

## Startup India

Startup India Scheme was an initiative by the Government of India for generation of employment and wealth creation. The goal of Startup India is the development and innovation of products and services and increasing the employment rate in India. Benefits of **Startup India Scheme** are Simplification of Work, Finance support, Government tenders, Networking opportunities.

Startup India was a campaign that was first addressed by the PM Narendra Modi on 15th August 2015 at Red Fort, New Delhi. It was launched by the ex Finance Minister Shri Arun Jaitley on 16th January 2016. This campaign was introduced under the Government of India as an initiative to develop over 75 startup support hubs in the country.

The Ministry of Human Resource Development and the Department of Science and Technology have agreed to partner in an initiative to set up over 75 such startup support hubs in the National Institutes of Technology (NITs), the Indian Institutes of Information Technology (IIITs), the Indian Institutes of Science Education and Research (IISERs) and National Institutes of Pharmaceutical Education and Research (NIPERs).

With this Action Plan the Government hopes to accelerate spreading of the Startup movement:

- From digital/ technology sector to a wide array of sectors including agriculture, manufacturing, social sector, healthcare, education, etc. and,
- From existing tier 1 cities to tier 2 and tier 3 cities including semi urban and rural areas.

## What is Startup India Scheme?

Startup India Scheme is organized by the Department for Promotion of Industry and Internal Trade. The major objective of this scheme is to discard some of the restrictive State Government policies which include:

1. License Raj
2. Land Permissions
3. Foreign Investment Proposals
4. Environmental Clearances

The Action Plan is divided across the following areas:

- Simplification and Handholding
- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

## Registration for Startup India

A person must follow the below-mentioned steps for the successful registration of their business under the Startup India scheme:

- A person should incorporate their business first either as a Private Limited Company or as a Limited Liability Partnership or as a Partnership Firm along with obtaining the certificate of Incorporation, PAN, and other required compliances.
- A person needs to log in to the official website of Startup India where he/she has to fill all the essential details of the business in the registration form and upload the required documents.
- A letter of recommendation, Incorporation/Registration Certificate, and a brief description of the business are some of the essential documents required for the registration purpose.
- Since the startups are exempted from income tax benefits, therefore, they must be recognized by the Department of Industrial Policy and Promotion (DIPP) before availing these benefits. Also, they should be certified by the Inter-Ministerial Board (IMB) to be eligible for IPR (Intellectual Property Right) related benefits.
- After successful registration and verification of the documents, you will be immediately provided with a recognition number for your startup along with a certificate of recognition.

## Growth of Startups in India:

As of August 29, 2022, India had emerged as the world's third-largest startup ecosystem, with over 77,000 DPIIT-recognized startups spread throughout 656 districts. These startups are simultaneously enabling more jobs than large companies or enterprises in the same industry and therefore helping to decrease the unemployment problems in developing nations like India.

The **Department for Promotion of Industry and Internal Trade (DPIIT)** has recognized startups which are spread across 56 diversified sectors. More than 4,500 Startups have been recognized in sectors relating to emerging technologies such as **Internet of Things (IoT), robotics, artificial intelligence**, analytics, etc. Sustained Government efforts in this

direction have **resulted in increasing the number of recognized Startups from 471 in 2016 to 72,993 in 2022 as per** the Commerce Ministry data as of June 30<sup>th</sup> , 2022.

## **How Startup-India Scheme has facilitated the Growth of Startups in India?**

Various programs undertaken by the Government of India to promote startups under Startup India initiative has facilitated this growth:

- **Startup India Action Plan:** It comprises of 19 action items. The Action Plan laid the **foundation of Government support, schemes and incentives envisaged to create a vibrant startup ecosystem in the country.**
  1. Self certification: The start-ups will adopt self-certification to reduce the regulatory liabilities. The self-certification will apply to laws including payment of gratuity, labour contract, provident fund management, water and air pollution acts.
  2. Startup India hub: An all-India hub will be created as a single contact point for start-up foundations in India, which will help the entrepreneurs to exchange knowledge and access financial aid.
  3. Easy Registration: An online portal, in the shape of a mobile application, launched to help startup founders to easily register.
  4. Patent protection: A fast-track system for patent examination at lower costs is being conceptualized by the Central government. The system will promote awareness and adoption of the Intellectual Property Rights (IPRs) by the startup foundations.
  5. Corpus Funds of Rs. 10,000 crore to support startup: The government developed a fund with an initial corpus of Rs 2,500 crore and a total corpus of Rs 10,000 crore over 4 years, to support upcoming startup enterprises. The Life Insurance Corporation of India & A N Gawade & Co. Startup India Chartered Accountants will play a major role in developing this corpus. A committee of private professionals selected from the startup industry will manage the fund.
  6. National Credit Guarantee Trust Company: A National Credit Guarantee Trust Company (NCGTC) is being conceptualized with a budget of Rs 500 crore per year for the next four years to support the flow of funds to startups.
  7. No Capital Gains Tax: At present, investments by venture capital funds are exempt from the Capital Gains Tax. The same policy is being implemented on primary level investments in startups.
  8. No Income Tax for three years: Startups would not pay Income Tax for three years. This policy would revolutionize the pace with which startups would grow in the future.

9. Tax exemption for investments of higher value: In case of an investment of higher value than the market price, it will be exempt from paying tax.
  10. Building entrepreneurs: Innovation-related study plans for students in over 5 lakh schools. Besides, there will also be an annual incubator grand challenge to develop world class incubators.
  11. The Atal Innovation Mission will be launched to boost innovation and encourage talented youths.
  12. Setting up incubators a Private-Public Partnership model is being considered for 35 new incubators and 31 innovation centres at national institutes.
  13. Research parks: The government plans to set up seven new research parks, including six in the Indian Institute of Technology campuses and one in the Indian Institute of Science campus, with an investment of Rs 100 crore each.
  14. Entrepreneurship in biotechnology: The government will further establish five new biotech clusters, 50 new bio incubators, 150 technology transfer offices and 20 bio-connect offices in the country.
  15. Dedicated programmes in schools: The government will introduce innovation-related programmes for students in over 5 lakh schools.
  16. Legal support: A panel of facilitators will provide legal support and assistance in submitting patent applications and other official documents.
  17. Rebate: A rebate amount of 80 percent of the total value will be provided to the entrepreneurs on filing patent applications.
  18. Easy rules: Norms of public procurement and rules of trading have been simplified for the startups.
  19. Faster exit: If a startup fails, the government will also assist the entrepreneurs to find suitable solutions for their problems. If they fail again, the government will provide an easy way out.
- **Startup India Hub:** It is a one of its kind **online platforms for all stakeholders of the entrepreneurial ecosystem in India to discover, connect and engage with each other.** The objective was to create a single point of contact for the entire Startup ecosystem and enable knowledge exchange and access to funding. The “Startup India Hub” will be a key stakeholder in this vibrant ecosystem and will work in a hub and spoke model and collaborate with Central & State governments, Indian and foreign VCs, angel networks, banks, incubators, legal partners, consultants, universities and R&D institutions. It will assist Startups through their lifecycle with specific focus on important aspects like obtaining financing, feasibility testing, business structuring advisory, and enhancement of

marketing skills, technology commercialization and management evaluation. It will also organize mentorship programs in collaboration with government organizations, incubation centers, educational institutions and private organizations who aspire to foster innovation to all young Indians who have the courage to enter an environment of risk, the Startup India Hub will be their friend, mentor and guide to hold their hand and walk with them through this journey.

- **Income Tax Exemption for 3 years:** Startups incorporated on or after 1st April 2016 Ministerial Board Certificate are exempted from income-tax for a period of 3 consecutive years out of 10 years since incorporation.
- **Startup India Seed Fund Scheme (SISFS):** It aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization. This would enable these startups to graduate to a level where they will be able to raise investments from angel investors or venture capitalists or seek loans from commercial banks or financial institutions. A 'Startup India Seed Fund Scheme' has been implemented with effect from April 1, 2021. The scheme aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialisation.
- **International Market Access Programme (IMAP) to Indian Startups:** Startup India has launched bridges with over 15 countries (**Brazil, Sweden, Russia, Portugal, UK, Finland, Netherlands, Singapore, Israel, Japan, South Korea, Canada, Croatia, Qatar and UAE**) providing a soft- landing platform for startups from the partner nations and aid in promoting cross collaboration. T-Bridge (The Entrepreneurs Bridge from and to India) is a T-Hub's International program that aims to build bridges for entrepreneurs to scale internationally. Programs under T-Bridge target Indian startups ready to go global and international startups looking for support entering Indian and South-Asian markets. The IMAP, starts with virtual interactions with the help of mentors and corporate representatives. It culminates into an intensive India Sprint that is all about localisation through business model validation & innovation, piloting and closing deals with the Indian ecosystem.

### **Startup India Benefits**

After the launch of the Startup India scheme, a new program was launched by the Government named the I-MADE program which focused on helping the Indian entrepreneurs in building 1 million mobile app start-ups. The Government of India had also launched the

'Pradhan Mantri Mudra Yojana' which aimed to provide financial supports to entrepreneurs from low socioeconomic backgrounds through low-interest rate loans. Some of the key benefits of Startup India are as follows:

- To reduce the patent registration fees.
- Improvement of the Bankruptcy Code ensuring a 90-day exit window.
- To provide freedom from mystifying inspections and capital gain tax for the first 3 years of operation.
- To create an innovation hub under the Atal Innovation Mission.
- Targeting 5 lakh schools along with the involvement of 10 lakh children in innovation-related programs.
- To develop new schemes that will provide IPR protection to startup firms.
- To encourage entrepreneurship throughout the country.
- To promote India as a startup hub across the world.

### **Government Measures to Promote Startup Culture in the Country**

- As part of the **"Make in India"** initiative, the government proposes to hold one Startup fest at the national level annually to enable all the stakeholders of the Startup ecosystem to come together on one platform.
- **Launch of Atal Innovation Mission (AIM)** – To promote entrepreneurship through Self-Employment and Talent Utilization (SETU), wherein innovators would be supported and mentored to become successful entrepreneurs. The 'AIM' was set up by the NITI Aayog in 2016. AIM's objectives are to create and promote an ecosystem of innovation and entrepreneurship across the country at school, university, research institutions, MSME and industry levels.
- **Incubator set up by PPP** – To ensure professional management of Government-sponsored or funded incubators, the government will create a policy and framework for setting-up of incubators across the country in Public-Private Partnerships. The incubator shall be managed and operated by the private sector.
  - 35 new incubators in existing institutions. Funding support of 40% shall be provided by the Central Government, 40% funding by the respective State Government and 20% funding by the private sector for establishment of new incubators.

- 35 new private sector incubators. A grant of 50% (subject to a maximum of INR 10 crore) shall be provided by Central Government for incubators established by the private sector in existing institutions.

## What Other Factors have provided Handholding to Startups?

### ▪ Government Schemes:

**Department of Science and Technology (DST)** had launched an **umbrella programme** called **National Initiative for Developing and Harnessing Innovations (NIDHI)** for nurturing ideas and innovations (knowledge-based and technology-driven) into successful startups, **Promoting and Accelerating Young and Aspiring Innovators and Startups (PRAYAS)** program was launched for providing financial support to startups.

### ▪ Enhancing Biotechnology:

To foster **biotechnology innovation**, the Department of Biotechnology, through the **Biotechnology Industry Research Assistance Council (BIRAC)**, promotes and nurtures biotechnology firms.

### ▪ Defense Sector:

The **Department of Defense Production** launched the **Innovations for Defense Excellence (iDEX)** programme to achieve self-reliance and foster innovation and technology development in defense and aerospace by engaging industries, R&D institutes, and academia and providing them with grants to carry out R&D.

### ▪ Atal Innovation Mission:

Under the **Atal Innovation Mission**, the Government has set up **Atal Incubation Centres (AIC)** to incubate startups in various sectors. It has also launched **Atal New India Challenge (ANIC)** program to directly aid startups with technology-based innovations that solve sectoral challenges of national importance and societal relevance.

### ▪ Role of Forex Flow:

**The inflow of forex especially from leading tech companies** such as Facebook, Google, and Microsoft into the Indian startup ecosystem signals the immense potential of the domestic market.

### ▪ Role of Technology:

With the rise of new technological tools, the startup community is leveraging new-age technologies such as **artificial intelligence, internet of things, data analytics, big data, robotics**, etc., to **bridge wide-ranging gaps** that were introduced in the market.





## Way Forward

There is need to **create awareness about startups** as many enterprising people continue to be discouraged from pursuing their hobbies by their families and social environments and are under pressure to select a job and lifestyle that is seen to provide more stability. The **willingness to take chances should be rewarded more**, and failure should not be seen negatively. Furthermore, **breaking prejudices** is a critical step toward increasing diversity, which would enable today's big ideas to receive the ecosystem of support they require to succeed. The nation's policymakers, risk-taking corporates and funding agencies need to **foster a conducive climate** for ensuring **easier availability of domestic capital**. The **regulators have to play a more proactive role** in formulating appropriate regulations that **encourage innovation and support emerging business models**.

(Reference: Internet Resources)

Compiled by,  
Dr Asmita S Deshmukh.

Assisted by,  
Shri Nilesh R Patade