



## **“Startups in India- Retrospect and Prospects”**

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### **ABSTRACT**

India is a developing country and tries to be developed in future. India is the largest economy in the world. Population wise it placed 2<sup>nd</sup> position all over the world. New employment scheme is applied by the government. But it is not possible to provide full employment due to scarcity of resources to the people. So government of India makes a plan to provide employment to people by their own efforts. Government starts a scheme of STARTUP INDIA. It was start on 16 January, 2016 in Vigyan Bhawan, New Delhi. It is a scheme in which loan is provided to those people who have unique idea regarding employment. A person who want to start his business and due to financial problem he is not able to start then government take initiatives to help him by providing loan of 10 lakh to 1 crore. In this scheme not only loan is provided but direction is also provided by the government. Special development training programme is also organized by the government to improve the skills of people. To encourage the people to join startup scheme tax benefits are also provided. Taxes on capital gain through startup scheme are tax free for three years. Special benefits are also provided to women. But for startup scheme idea should be unique. Many villages are getting benefits from this scheme. But for getting more benefits people should take initiatives firstly. Only then growing purpose of the country will be fulfill.

**KEYWORDS:** - Startup, Employment, Tax Benefit.

### **INTRODUCTION**

Startup is an important scheme introduced by Prime Minister Mr. Narendar Modi on January 16, 2016. It was started for the growth and development of those people who belong to rural sector and mainly those who have ability to work, want to work but do not get any work due to financial and other problems. This scheme provided them loan at a very cheap rate to start their Business. The person who has unique idea can get benefit from startup scheme. He has to invest in that Business which is profitable for the society. The benefit of startup scheme is that through



this scheme a person not only get employment himself but also give employment opportunities to others. To promote startup scheme Government also provide tax relaxation for three years. Government also provides grants so that people take initiatives. No inspection will be done by the Government for three years. So business holder can work freely and without the interference of government. Startup scheme provide team spirit among people so that they join together and get benefit of mutual cooperation. We can say that it is a good effort promoted by the Government to improve employment scheme.

## **STARTUP SCHEME LAUNCH**

Startup India was inaugurated on 16 January 2016 by the Finance Minister Arun Jaitely. The Minister of Human Resource Development and the Department of Science and Technology have agreed to partner in an initiatives to set up over 75 such startup support hubs in the National Institute of Technology (NITs), The Indian Institute of Information Technology (IITs), The Indian Institution of Science Education and Research (IISERs) and National Institute of Pharmaceutical Education and Research (NIPERs). The Reserve Bank of India said it will take step to help improve the 'ease of doing business in the country and contribute to an ecosystem that is conducive for the growth of Startup Businesses.

## **FEATURES OF STARTUP INDIA**

Everyone is very excited about the [Startup](#) India campaign, which was recently announced on January 16 2016. This campaign has brought in a lot of hope for people who are looking forward to bring a new revolution to the commercial market of India. With special place for innovation and development, Startup India looks forward to glory those people who can offer India with a reinforced strength in the field of technology.

### **Work through Partnership or Company**

The prime feature of the Startup India campaign is that entities can be registered as a nominee to setup a startup. This means that even if you are working on a plan with your friend/ colleague/ relative you can easily make use of this scheme and get your project registered on the network. You are on longer required to maintain a separate provision and worry about sharing credits.

### **Early exit**

It is obvious that not every startup is going to flourish with a rapid pace. There will be numerous startups which would look good on paper, but would fail miserably. To save the entrepreneurs from incurring losses and helping them to move on at an early stage, the campaign offers an option to make an early exit within a span of 9 days.



### **Tax exemption**

Startups would enjoy a tax-free period for the first three years. The income generated from the operation will not attract any form of [Income tax](#). Additionally, capital gains will also be exempted. This means that the Government is offering complete opportunity for a [business](#) to grow.

### **Self - certification**

Along with tax obligations, leverage has also been given on requirement of maintaining certification for labor laws and environmental laws. A startup can offer a self-certified copy of compliance for labor laws and environmental laws to ensure that the budding entrepreneurs are not overburdened with duties.

### **Financial support**

It has been specifically declared that the Government of India will allocate INR 10000 crore for this initiative. INR 2500 crore is already in the fund along with various benefits and flexibilities under loans and arrangements.

### **Simple patent system**

The process of obtaining patents has become even simpler. A new committee has been setup under consideration for Fast Track. The job of this section is to boost the process of patent grant. About 80% of patent fee has been reduced and patent holders would also enjoy a faster processing period

## **STARTUP SCHEME FOR JOB SEEKERS TO JOB CEATORS**

During his speech Mr. Narendra Modi said that we are trying to make the young job creators rather than job seekers. He also said that one's mindset should not be towards earning money in the initial phase, It should be rather on grabbing and using the opportunities. Technology is evolving with the pace faster than ever. This has given birth to various new businesses like E-Commerce, Internet Marketing etc. So there is a great scope of development in such area those who plan to start new business are eligible to apply.

## **HIGHLIGHTS OF START-UP INDIA**

### **Startup India hub**



An all India hub will be created as a single contact point for startup foundations in India which will help the entrepreneurs to exchange knowledge and access financial aid.

### **Easy Registration**

An online portal in the shape of mobile application will be launched to help startup founders to easily register. The app is scheduled to be launched on April 1.

### **Patent protection**

A fast track system for patent examination at lower cost is being conceptualized by the Central Government. The system will promote awareness and adoption of the Intellectual Property Rights by the startup foundation.

### **National Credit Guarantee Trust Company**

A National Credit Guarantee Trust Company is being conceptualized with the budget of Rs. 500 crore per year for the next four years to support the flow of funds to startups.

### **No Capital Gains Tax**

At present investment by venture capital funds are exempt from the Capital Gains Tax. The same policy is being implemented on primary level investment in startups.

### **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.

### **Atal Innovation Mission**

The Atal Innovation Mission will be launched to boost innovation and encourage talented youths.

### **Dedicated Programmes in Schools**

The Government will introduced innovation related programmes for students in over 5 lakh schools.

### **Legal Support**

A panel of facilitators will provide legal support and assistance in submitting patent applications and other official documents.

### **Rebate**



A rebate amount of 80 percent of the total value will be provided to the entrepreneurs on filling patent applications.

### **Easy rules**

Norms of public procurement and rules of trading have been simplified for the startups.

### **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.

## **ADVANTAGES OF STARTUP BUSINESS**

### **Fulfill Own Dreams**

One of the biggest advantages of a Start Up is that you are full of energy and willing to experiment something new. You are not afraid of failure or breaking the rules because you can conceive and implement whatever you like.

### **Create your own rule, you are the Boss**

In a startup you don't have to listen to your clients because you are in the driving seat. Usually if you are working for some other company then you have issues where you have to listen to management and make changes accordingly. However in a startup you can take risk and make your own rule although this has its own risk.

### **No need to worry about Funds**

If your idea is solid then you don't have to worry about the funding. Today there are multiple seed investors in the country and outside who are ready to fund as much as they like.

### **Better Pricing Policy**

Start Ups can offer really competitive price to their customers. Why so many start ups are successful because price of their products are very competitive. Start Up gives you complete control over designing and setting price of your new product. This is absolutely not possible if you are working for another company because they usually stick to a formula.

### **Ability of Startup Eco-System**



The eco system is very important. Although in India you do have a developed ecosystem for certain kind of startups. If your startup is all about online shopping or anything to do with e-commerce then it is quite successful.

## **STAGES OF THE STARTUP LIFECYCLE**

### **PRE STARTUP**

Discovery- Identify a potential scalable product/service idea for a big enough target market.  
Validation- The service or product discovered hits the market, looking for the first clients ready to pay for it.

### **STARTUP**

Efficiency -The entrepreneur begins to define his/her business model and looks for ways to increase customer base constantly.

Scale- Pushing the growth of the business aggressively while increasing its capacity to grow in every possible sustainable manner.

### **GROWTH**

Maintenance- Maximizing benefits and facing problems derived from the global dimension in terms of competition that the business has achieved  
Sale or Renewal - The decision to sell the startup to a giant or acquire huge resources that the brand will need to continue growing as a venture.

## **STARTUP FINANCING LIFE CYCLE**

### **1. Funding by Angel Investors/ Seed Funds**

- Early stage startups rely on angel investors and seed funding.
- Invest solely into the entrepreneur with an idea.
- Does not encumber the entrepreneur with any corporate governance formalities.

### **2. Venture Capital**



- Used to scale the company's business model.
- Comes from larger institutional funds.
- Focus is on building the sales force and establishing a global presence,.

### 3. Public markets

- Late stage startups can feel the need to expand more aggressively or actively innovate the products which require larger funds.
- Private equity funds together with public markets provide large amounts of liquidity to late stage startups.

## **CHALLENGES OF STARTUP BUSINESS**

### **High cost, Tax and Regulations**

Starting up in India isn't that easy because the cost is very higher compared to other parts of the world. The taxes are higher and there are regulations from the government that makes things more difficult. The upfront cost before you start your venture could go up to \$2000. You have to pay huge cost if you want to close your start up and move one.

### **Eco-System is also not developed**

Ecosystem is developed for only few kinds of startups like e-commerce. If you are venturing into something very technical in nature then you will face problems because there is no one around to guide you. You will not find mentors in India if your startup is not about e-commerce. That is why most of the startups move to Silicon Valley.

### **Hiring of people is a very big Challenge**

Not very people are interested working in a startup. Usually they find problems working in startup. So they avoid it and join an established company because that is important for their career. They don't trust startup because they don't know whether they are going to succeed or not. So hiring employees could be a challenge.

### **Technological dependency**

According to start-up survey, it has been seen that most of the successful start-ups in India are dependent on latest technology. In India, there are several places where latest technologies



haven't reached yet. At the same time, poor people, backward classes. They are also not aware of technology evolution till today. It looks little difficult for lot of people to compete in long run.

### **Weak Infrastructure**

Instead of financing business or self-employed programs, government should have invested in basic amenities like electricity, road developments, basic education and such things. A major part of the nation is still not receiving these basic amenities due to weak infrastructure.

### **Not easy to maintain team**

Startup business can be successful only then when it may be done in a team. But to maintain a team for a long period is very difficult task. Because there may be arise conflict between team members after some time regarding their salary, management etc.

### **Multitasking**

When a person involve in Startup scheme, he should have the ability to do multiple services. But at a time it is difficult for a person to have the knowledge of all field.

### **There is no place to hide**

In a large company, work is distributed over a larger number of people and its usually easy for non- performers to hide behind the work done by others. In Startups, where teams are small and even a single person's work not being delivered makes an adverse impact. If you like to take things a bit easy in delivering your work then startup would not work for you.

### **There is no class room training**

Startups often hire you to hit the ground running. Even if you are interning while you are still at college, startups will throw you at the deep end of the pool straight away. You have got to learn to swim on your own. There isn't going to be a training manual or a training class.

## **SUGGESTIONS REGARDING STARTUP SCHEME**

1. There should be formal training for startup members
2. Government should provide proper infrastructure for the development of business houses.
3. Startup campaign should be organized in such a manner that may provide proper knowledge about to start a new business.





4. Team spirit should be developed among team members of startup scheme and to do these benefits of team should be taught to them.
5. Proper Eco-system should be provided by the Government.
6. Technology is a big challenge for business. There should be efforts done by Government for technological up gradation by doing technological collaboration with foreigners.
7. There should be stability for startup employees under startup scheme so that they can be easily hired.
8. Initial cost for startup business should be low.
9. Proper tax benefit should be provided.
10. The process of receiving Government grants should be easy.
11. Portfolio Investment should be for startup Business.

## CONCLUSION

Many businesses start with a dream, but it takes more than just a dream for them to grow into successful businesses—including the tenacity and the obstacles discussed above to overcome the many challenges facing startups today. Startups take time, effort, and energy to grow into profitable and sustainable businesses. At last we can say that it is a good scheme started by Prime Minister Mr. Narendra Modi. There is no doubt that we are getting benefits from this scheme. There are some challenges faced by Startup Business to grow. But it is on its initial stage and there is lot of opportunities to grow. There are some suggestions and we should apply them. It is a great scheme of employment to get self-employment even if we do not have more funds. After that we are able to get job because government is providing funds to do business. We should take participate for proper Industrialisation and also cooperate to government for the Economic Development of the country.

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