

# A STUDY ON STARTUP SCHEMES IN THE DEVELOPMENT OF INDIA

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**Abstract:** A startup is a business endeavor seeking sufficient capital to launch. The first task of any new company is to demonstrate the viability of its promise to attract lenders and/or investors. However, investors and lenders view startups as always riskier investments and have different ways of calculating returns. Third, in terms of the number of startups, India lags behind the USA and Great Britain. It shows that there are about 4,400 tech companies in India and this number is expected to grow to more than 13,000 by the end of 2023. India also has its own billion dollar club to be proud of. Startups like Flipkart, Paytm, Zomato, Snapdeal, Ola, InMobi, Hike, MuSigma and Quikr are included. Fintech business Mobi Kwik is also hoping to become a unicorn by raising another \$100 million in investment. According to the NASSCOM Start-up Report 2023, startups generated 65,000 new jobs in 2014; by 2023, this number is expected to reach 250,000, mostly thanks to private sector initiatives. There is considerable potential for new job creation, often significantly greater than NASSCOM forecasts, if the government succeeds in creating the proactive start-up environment it has envisioned.

**Keywords:** Startup India Schemes, Unicorn Startup, Startup Ranking, Registration

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## 1.0 Introduction

This type of business, known as a Startup, is just getting started and is often funded in the beginning by its enterprising founders. It refers to a start-up business established by an individual or group of entrepreneurs to create and market a new good or service. One of the main responsibilities of startups is to raise a significant amount of money in order to expand the product or service offered. Startups have no track record and almost no revenue. Government of India launched "Startup India Scheme" on 16th January 2016 under the auspices of Ministry of Commerce and Industry (Department of Promotion of Industry and Domestic Trade) at Vigyan Bhavan, New Delhi. The main objective of the program is to support startups, create jobs and create wealth. India's Finance Minister Nirmala Sitharaman said during the unveiling that "business is no longer condemned as jugaad". There are already around 4400 startups in India, and it is predicted to be more than 13000 by the end of 2023. Historically, state and federal governments have provided small business management loans from local banks as well as business loans from banks or loans. unions, grants from non-profit organizations and business loans from local banks. Since they have a concept to develop, test and bring to market, startups can generate very little or no income in their early stages. Other resources include incubators, which are often linked to charity groups and business schools and offer seed money and mentoring. Similar to this, venture capitalists and angel investors are actively looking for potential businesses to finance in exchange for a stake in the business until it gets off the ground.

## 2.0 Objectives of the Study

1. To get an idea about Indian startups.
2. To study the several Indian governments provided startup programs.
3. Find out where India ranks in unicorn startup analysis.

## 3.0 Startup India Standup India

India has gained recognition as one of the most influential investment locations of the international business world. She realized the inventive and creative potential of India. Over the past three years, India has seen a significant increase in foreign investment in seed values, with some values exceeding \$1 billion. Five years ago this would have been unthinkable. Prime Minister Narendra Modi recognized this fact, started working on it and

realized that now is the right time to involve the government in defining an effective policy framework, providing the required financial and tax incentives and supporting the creative and innovative potential of the youth. According to the NASSCOM Start-up Report 2023, startups generated 65,000 new jobs in 2014; by 2023, this number is expected to reach 250,000, mostly thanks to private sector initiatives. There is considerable potential for job creation, often significantly greater than NASSCOM forecasts, if the government succeeds in creating the proactive start-up environment it has envisioned. In terms of the number of startups, India ranks third after the US and the UK. It shows that there are about 4,400 technology companies in India and this number is expected to grow to over 13,000 by the end of 2023.

Besides, India has its own billion dollar club to boast of. This includes startups like Flipkart, Paytm, Zomato, Snapdeal, Ola, InMobi, Hike, MuSigma and Quikr. Fintech startup MobiKwik also looks set to join the unicorn club with another \$100 million raise.

#### **4.0 Unicorn Startups**

The startup firm valued at more than \$1 billion is referred to as a unicorn startup in business and finance. According to the latest data, China leads with 206 Chinese companies out of 494 ultra-valuable startups referred to as unicorns. As a result, China is the country with the largest number of unicorns in the world. The world's third most valuable startup unicorns Didi Chuxing, Alibaba and ByteDance are based in China. The combined value of these three unicorns is \$280 billion. The US has 203 unicorn companies, which ranks it second. Despite China being our neighbor, India has ten times less unicorn startups than China or the US.

#### **5.0 Startup Rankings**

In December 2018, the Department of Industry and Commerce released the first-ever ranking of startup states based on the following criteria: Politics, Northeastern States, Mountain States, Government Procurement, Regulatory Reform, Scaling Innovation, Incubation Centers, Communications and Seed Innovation. . Some states among others managed to secure their positions in the following ways.:

- ❖ **Top performers:** Kerala, Karnataka, Odisha, and Rajasthan
- ❖ **Best performers:** Gujarat
- ❖ **Leader:** Telangana State, Andhra Pradesh, Bihar, Madhya Pradesh and Chhattisgarh
- ❖ **Aspiring Leaders:** Jharkhand, Uttar Pradesh, Haryana, Himachal Pradesh and West Bengal
- ❖ **Emerging states:** Delhi, Goa, Assam, Maharashtra, Punjab, Tamil Nadu, Jammu & Kashmir and Uttarakhand.
- ❖ **Beginners:** Manipur, Mizoram, Nagaland, Chandigarh, Puducherry, Sikkim and Tripura

#### **6.0 Startup India Scheme**

**6.1 Startup India :** Startup is an initiation of Indian Government. The campaign was first inaugurated by Prime Minister Narendra Modi during his address from the Red Fort, New Delhi on 15th August 2015. The foremost action plan of the initiative stands on 3 pillars that are:

- i. Simplification and Handholding
- ii. Funding Support and Provide Incentives
- iii. Industry-Academia Partnership and Incubation.

The main objective of this initiative is to support entrepreneurs, generate money and create jobs. To this end, Prime Minister Narendra Modi officially launched the "Startup India Scheme" on 16 January 2016 at Vigyan Bhawan, New Delhi under the auspices of the Ministry of Commerce and Industry (Department of Industrial Promotion and Domestic Trade). The two most notable aspects of this scheme are (a) the three-year tax exemption for new business owners and (b) the government's provision of Rs. 2500 crore seed fund and Rs. 500 million crowns of the loan guarantee fund.

**6.2 Alliance to support Startup India Scheme:** The creation of a government initiative to support entrepreneurs was essential. To support centers in National Institutes of Technology (NITs), Indian Institutes of Information Technology (IIITs), National Institutes of Pharmaceutical Education and Research (NIPERs) and Indian Institutes of Science Education and Research (IISERs) the Ministry of Human Resource Development and Department of Science and Technology have agreed to establish more than 75 startups. According to the RBI statement, it would take concrete steps to improve the "ease of doing business" and encourage the development of an environment that supports the expansion of the nation's startup sector. Several foreign

nations have invested in India to gain initial support for the initiative. It was noted that Japan's SoftBank has committed to invest US\$10 billion and the bank has already spent US\$2 billion in Indian startups. Google said it would form a company based on the top three votes. The top three companies will be eligible to participate in the upcoming Google Launchpad Week and the final winner will receive \$100,000 in Google Cloud Credits.

Additionally, Oracle said it will open nine incubation centers on February 12, 2016 in Bengaluru, Hyderabad, Mumbai, Noida, Chennai, Gurgaon, Pune, Trivandrum and Vijayawada. The Union Ministry of HRD has announced plans to build "Research Parks" to be built in collaboration with higher education institutions across India, in line with "Industry-Academia Partnership and Incubation", with the emphasis and support of Startup India. The initiative aims to provide students with access to capital and mentorship for entrepreneurs and an initial investment of Rs. 100 million crowns were set aside for this. Following the launch of the startup scheme, the government also launched the Innovation in Mobile App Development Ecosystem (I-MADE) program in February 2016 to help entrepreneurs create 10,000,000,000 (1 million) mobile app startups. In addition, the MUDRA Bank program was launched to offer low-interest microfinance loans to entrepreneurs from poor backgrounds. For this project, Rs. In 2018, 20,000 million crowns of initial capital were set aside.

### **7.0 Eligibility for Registration as Startup Company**

1. The newly established business must be a limited liability company, a limited liability company or a partnership. 2. The firm must not be more than ten years old, and its total income must not exceed Rs. 100 million crowns. 3. The Department of Industrial Policy and Promotion (DIPP) must give approval to the company. 4. Patent and Trademark Office of India must provide patron guarantee to the business. 5. Letter of recommendation from incubation is required. 6. The business must offer top quality goods and services. 7. SEBI registration is required for accelerators, incubation funds, angel funds, equity funds and angel networks.

### **8. Application Process Under Startup India Scheme**

Step 1: Log in to the portal of Startup India <https://Startupindia.gov.in/registration.php>.

Step 2: Enter Legal Entity

Step 3: Enter Registration/Incorporation No.

Step 4: Enter Registration/Incorporation Date

Step 5: Enter PAN number (optional)

Step 6: Enter full Address.

Step 7: Enter details of Authorized Representative

Step 8: Enter Directors and Partners details.

Step 9: Upload the essential documents and Self-Certification under prescribed way.

Step 10: File the Registration/Incorporation certificate of the company.

### **9.0 Features or Benefits of Startup India Scheme**

1. Reduction in patent registration fee
2. Relief from mystifying inspections for first 3 years of operation
3. Improved Bankruptcy Code, to ensure 90 days exit window
4. Freedom for 3 years of operation from Capital Gain Tax.
5. Exemptions from tax for first 3 years of operations
6. Self-certification compliance
7. Under the Atal Innovation Mission it is created an innovation hub.
8. 10,000 crore funding pool for startups
9. Targeting 5 lakh schools, and involve 10 lakh children in innovation-related programmes
10. To provide IPR protection to startup firms new schemes were introduced
11. Encourage entrepreneurship within the country
12. Built startup Oasis as Rajasthan Incubation Center
13. Promote India around the world as a startup hub.

### **10.0 The problem areas:**

1. Missing exit strategies and special legislation for setting up businesses. 2. The complexity of compliance regulations that were designed for established companies but not for start-ups, and the need for new laws to be designed with the rapidly evolving field of technology in mind. 3. The ability to take calculated risks and recognize the commercial potential of the proposed business are

prerequisites for start-up financing. A big obstacle for everyone is the absence of specific funding for initial capital in the absence of guarantors. 4. Most start-ups fail for one of the following reasons: insufficient money, inappropriate leadership, timing of launch, or lack of public acceptance. In any case, there is an imbalance in the ratio of failures to successes.

5. Absence of state-supported physical incubators equipped with cutting-edge technologies 6. Another problem is the lack of expertise of the federal and state governments in assisting technology-based businesses. 7. Smaller towns and villages have a wealth of talent for social and needs-based innovation. As there is no ecosystem right now, Stand-up India needs to be successful, and the government needs to scale this new effort at the local level.

#### **11.0 List of Startup Schemes by The Indian Government**

##### **11.1 Under Ministry of Electronics and Information Technology (MeitY)**

1. Support for International Patent Protection in Electronics & Information Technology (SIP-EIT)
2. Multiplier Grants Scheme (MGS)
3. Software Technology Park (STP) Scheme
4. Electronic Development Fund (EDF) Policy
5. Modified Special Incentive Package Scheme (M-SIPS)
6. Scheme to Support IPR Awareness Seminars/Workshops in E&IT Sector

##### **11.2 Under Ministry of Agriculture and Farmers Welfare**

1. NewGen Innovation and Entrepreneurship Development Centre (NewGen IEDC)
2. The Venture Capital Assistance Scheme

##### **11.3 Under Ministry of Micro, Small and Medium Enterprises (MSME)**

1. Credit Guarantee
2. Performance & Credit Rating Scheme
3. Raw Material Assistance
4. Revamped Scheme of Fund for Regeneration of Traditional
5. Single Point Registration Scheme (SPRS)
6. Aspire – Scheme for promotion of innovation, entrepreneurship, and agro-industry
7. Infrastructure Development Scheme
8. MSME Market Development Assistance
9. National Awards (Individual MSEs)
10. Coir Udyami Yojana
11. International Cooperation (IC) Scheme
12. Credit Linked Capital Subsidy for Technology Upgradation
13. Bank Credit Facilitation Scheme

##### **11.4 Under NITI Aayog**

1. Atal Incubation Centers (AIC)
2. Atal Tinkering Laboratories (ATL)
3. Scale-up Support to Establishing Incubation Centers

##### **11.5 Under Ministry of Skill Development and Entrepreneurship**

1. Udaan Training Program for Unemployed Youth of J&K

##### **11.6 Under Ministry of Heavy Industries & Public Enterprises**

1. Enhancement of Competitiveness in the Indian Capital Goods Sector

##### **11.7 Under Ministry of New and Renewable Energy (MNRE)**

1. National Clean Energy Fund (NCEF) Refinance
2. IREDA Scheme for Discounting Energy Bills
3. Bridge Loan against MNRE Capital Subsidy
4. Bridge Loan against Generation-Based Incentive (GBI) Claims
5. Loan for Rooftop Solar PV Power Projects
6. Credit Enhancement Guarantee Scheme

##### **11.8 Under Schemes by Public Sector Enterprises**

1. Dairy Entrepreneurship Development Scheme
2. E (End to End Energy Efficiency)

3. Pradhan Mantri Mudra Yojana (PMMY)
4. Stand Up India
5. Sustainable Finance Scheme
6. SIDBI Make in India Soft Loan Fund for Micro Small and Medium Enterprises (SMILE)Startup Assistance Scheme
7. Growth Capital and Equity Assistance

#### **11.9 Under Ministry of Science & Technology**

1. Assistance to Professional Bodies & Seminars/Symposia
2. Ayurvedic Biology Program
3. Industry Relevant R&D
4. High Risk-High Reward Research
5. Technology Development Programme (TDP)
6. National Science & Technology Management Information System (NSTMIS)
7. Biotechnology Industry Partnership Programme (BIPP)
8. Industry Innovation Programme on Medical Electronics (IIPME)
9. Extra Mural Research Funding
10. SPARSH (Social Innovation programme for Products: Affordable & Relevant to Societal Health)
11. Promoting Innovations in Individuals, Startups and MSMEs (PRISM)
12. Science and Technology of Yoga and Meditation (SATYAM)
13. Rapid Grant for Young Investigator (RGYI)
14. Biotechnology Ignition Grant (BIG)

#### **12.0 Conclusion**

India is a stunning and alluring nation. There's a lot to see and plenty of chances to build your business network. It will never be an excuse for wasting new chances. The current situation offers countless ways to make money. India is a country where startups can have a high success rate because the people there are very savvy and business savvy. Indians don't hesitate to try new things. Even the names of the startups are quite innovative. Several of India's most successful businesses are very common. Creative thinking is essential to develop the most successful business in India. Unique startup concepts that consistently attract clients and generate revenue are essential. Given the high failure rate of startups, investors would consider the team's ideas and expertise. Angel investors cannot afford to lose money, so they never invest it. Only those who have full confidence in business acumen and think their project has great potential can get financing. Investors need to trust the individuals around them and trust that they will steer your company in the right direction.

#### **13.0 Suggestions**

The ecosystem needs a backbone to grow as well as mentors and subject matter experts who can help aspiring company owners with the paperwork needed to launch their business and help them secure further investment. There is a lot of material on the internet that you can get to help you come up with startup ideas in India. It is essential that you identify a void in the market while not being afraid to take risks and try new things. The new concept is guaranteed to succeed. People who hold universal views will not be particularly successful. Most successful entrepreneurs have experienced many setbacks before reaching their peak. As a result, the government must be wary of failure and ensure that entrepreneurs are not penalized for failure, but rather encouraged to try again. State governments must join hands with the federal government to ensure that officials have the necessary training to fully assist young entrepreneurs and ensure that they help them grow their businesses rather than stand in the way. Working with state governments, the government must identify officials at the federal and state levels and initiate a comprehensive, continuous training program to equip them with the knowledge and skills to support entrepreneurs when needed.

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