

# An Analysis of Indian Startups and Government-Sponsored Startup Programs

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**Abstract:** An enterprise that is just getting off the ground is called a startup. The largest challenge for every startup firm is proving the validity of its future potential in order to attract lenders and/or investors. Although potential lenders and investors have a range of tools at their disposal to project returns, startups are constantly seen as the riskier investment choice.

After the United States and the United Kingdom, India is the country with the third-highest number of startups. It is clear that India now has over 4,400 technology businesses, and by the end of 2021, that number is expected to rise to over 13,000 enterprises. India must also take pride in becoming a billion-dollar club member. This category includes startups like Flipkart, Paytm, Zomato, Snapdeal, Ola, InMobi, Hike, MuSigma, and Quikr. A fintech company named MobiKwik wants to join the unicorn club with its next \$100 million fundraising round.

The NASSCOM Start-up Report 2015 states that start-ups created 65,000 new jobs in 2014, and that number is expected to rise to 250,000 by 2021. Currently, the private sector is mostly responsible for this expansion. If the government is successful in building the proactive startup environment that it has envisioned, there is a lot of potential for new job creation, most of which will be significantly larger than NASSCOM's projections.

**Keywords:** Indian Government, Entrepreneurship, Innovation

## I. INTRODUCTION

A company is referred to as a startup during its first phases of operation and is often financed by its ambitious founders. It describes a startup company founded by an entrepreneur or group of entrepreneurs with the goal of developing and marketing a unique product or service. Obtaining a sizeable number of money to broaden the reach of the product or service they are providing is one of the major duties of startups. Startups have almost no financial returns and no track record. The "Startup India Scheme" was formed by the Indian government with the main objectives of fostering businesses, generating employment, and boosting GDP. The Department for Promotion of Industry and Internal Trade, a division of the Ministry of Commerce and Industry, launched it on January 16, 2016, at Vigyan Bhavan in New Delhi. The event's keynote speaker, India's finance minister Nirmala Sitharaman, said that "Entrepreneurship is no longer being condemned as jugaad." Over 4400 startups have already been established in India, and by the end of 2021, it is predicted that there will be over 13,000 of them.

Historically, the primary sources of financing for newly founded businesses have been business loans from banks or credit unions, grants from non-profits, loans from regional banks subsidized by the government's Small Business Administration, and loans from state governments. Startups may make very little or no money in their first stages since they have a notion to develop, test, and market. Other resources include incubators that are often associated with business schools as well as nonprofit groups that train entrepreneurs and provide them startup money.

Similar to this, angel investors and venture capitalists actively search for potential firms to invest in for a share of the company until it becomes successful.

## II. OBJECTIVES OF THE STUDY

1. To comprehend the idea of Indian startups.

2. To extract several startup programs offered by the Indian government.
3. To understand India's standing in the analysis of unicorn startups.

### III. STARTUP INDIA STANDUP INDIA

According to the worldwide business community, India is one of the most significant investment destinations. It has been discovered that India is capable of creativity and invention. The cost of starting a business in India has climbed significantly over the last three years, often exceeding \$1 billion. Five years ago, this phenomenon would not have been possible.

At this point, the government should be involved to develop an efficient framework for policy, put in place the appropriate tax and financial incentives, and encourage the inventive and creative potential of young people. This reality was accepted by Prime Minister Narendra Modi, who then got to work on it.

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India is also third in terms of the total number of startups, behind the US and the UK. It is clear that India now has over 4,400 technology businesses, and by the end of 2021, that number is expected to rise to over 13,000 enterprises. India must also take pride in becoming a billion-dollar club member. This category includes startups like Flipkart, Paytm, Zomato, Snapdeal, Ola, InMobi, Hike, MuSigma, and Quikr. A fintech company named MobiKwik wants to join the unicorn club with its next \$100 million fundraising round.

### IV. UNICORN STARTUPS

In the business and financial worlds, a startup company valued at more than \$1 billion is referred to as a unicorn startup. The most current numbers show that China is leading the world with 206 of the 494 unicorn businesses. As a consequence, China now has the most unicorns in the world. Didi Chuxing, ByteDance, and Alibaba, three of the world's third-most valued startup unicorns, are all Chinese companies. These three unicorns are worth a combined \$280 billion. With 203 unicorn companies, the US is in second position. India has ten times fewer unicorn enterprises than either China or the US, despite China being our neighbor.

### V. STARTUP RANKINGS

The Department of Industry and Internal Trade published the first-ever startup state rankings in December 2018 using the following criteria: policy, incubation centers, scaling innovation, procurement, regulatory reform, communication, seed innovation, North-Eastern states, and hill states. Among the many states, a few of them achieved the following positions in various categories:

- **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

### VI. STARTUP INDIA SCHEME

**Startup India** is a move by the Indian government. On August 15, 2015, Prime Minister Narendra Modi gave the campaign its official start at a speech from the Red Fort in New Delhi. The initiative's primary action plan is supported by three pillars, which are: incubation, industry-academia partnerships, and funding support and encouragement.

This initiative's main goals are to support entrepreneurs, produce money, and create jobs. Prime Minister Narendra Modi formally inaugurated the "Startup India Scheme" on January 16, 2016, from Vigyan Bhawan in New Delhi, which

is part of the Ministry of Commerce and Industry (Department for Industry and Internal Trade Promotion). The two most notable aspects of this program are (a) the government's provision of funds totaling Rs. 2500 crore for startups as well as Rs. 500 crore in credit guarantee funds, and (b) the giving of three years of tax-free status for new company initiators.

### **Alliances to support Startup India Scheme**

It was critical to launch the government's campaign to aid entrepreneurs. The Ministry of Human Resource Development and the Department of Science and Technology reached an agreement to establish over 75 startups that support hubs in the National Institutes of Technology (NIT), the Indian Institutes of Information Technology (IIITs), the National Institutes of Pharmaceutical Education and Research (NIPERs), and the Indian Institutes of Science Education and Research (IISERs). The RBI said that it will take specific steps to enhance the "ease of doing business" and assist the creation of an environment that is conducive to the growth of new businesses in the country.

To aid the program's development, a number of other countries invested in India. It has been reported that SoftBank, a Japanese bank, has pledged to spend an additional US\$10 billion in startups in India, on top of its prior US\$2 billion commitment. The eventual winner might walk away with \$100,000 in Google cloud credits. Google said that it will build a firm based on the most popular votes, with the top three startups being allowed to participate in the next Google Launchpad Week. The opening of nine incubator facilities in Bengaluru, Hyderabad, Mumbai, Noida, Chennai, Gurgaon, Pune, Trivandrum, and Vijayawada was also announced by Oracle on February 12, 2016.

As part of its "Industry-Academia Partnership and Incubation" initiative, which is focused on and supports Startup India, the Union Ministry of HRD has announced plans for the development of "Research Parks" that will be created in partnership with higher education institutions throughout India. Rs. 100 crore has been set aside for the program's first investment, which aims to provide students access to capital and entrepreneurial coaching.

In order to help entrepreneurs create 10 lakh (1 million) mobile app companies, the government launched the Innovation in Mobile App Development Ecosystem (I-MADE) initiative in February 2016 in addition to the startup program. The MUDRA Bank's Scheme was also established to provide microloans with low interest rates to business owners from poor socioeconomic backgrounds. An initial capital allocation of Rs. 20,000 crore for this initiative was approved in 2018.

### **VII. ELIGIBILITY FOR REGISTRATION AS STARTUP COMPANY**

- The newly created business must meet the following requirements:
- It must be a private limited or partnership;
- It cannot be more than ten years old;
- The Department of Industrial Policy must authorize the business; and
- A patron assurance from Indian Patent and a letter of reference from incubation are requirements for the firm.
- The business must provide cutting-edge goods or services.
- Accelerators, Incubation Funds, Angel Networks, Equity Funds

### **VIII. APPLICATION PROCESS UNDER STARTUP INDIA SCHEME**

- Step 1: Log in to the portal of Startup India
- Step 2: Enter Legal Entity
- Step 3: Enter Registration/Incorporation No.
- Step 4: Enter Registration/Incorporation Date

### **IX. FEATURES OR BENEFITS OF STARTUP INDIA SCHEME**

- Reduction in patent registration fee
- Relief from mystifying inspections for first 3 years of operation
- Improved Bankruptcy Code, to ensure 90 days exit window
- Freedom for 3 years of operation from Capital Gain Tax.
- Exemptions from tax for first 3 years of operations

### X. THE PROBLEM AREAS

The absence of explicit exit plans and startup requirements. The difficulty of complying with rules designed for established businesses but not for startups, and the need for new legislation that takes into consideration how rapidly technology is evolving. For startup finance, one must be willing to take chances and have a grasp of the prospective business's commercial potential. The lack of committed startup capital funding without guarantors is a major challenge for anybody. Most start-ups fail for one of four reasons: insufficient funding, bad mentoring, launching at the wrong time, or a lack of market acceptance. In every circumstance, the ratio of failures to triumphs is lopsided. the absence of publicly funded physical incubators and cutting-edge technology Another problem is that neither the federal nor state governments have the necessary skills to support tech-based businesses. Smaller towns and villages offer a plethora of potential for creativity based on basic requirements and social innovation. The eco-system is now lacking, hence Stand-up India must be successful. The government must broaden this new initiative at the local level.

### XI. LIST OF STARTUP SCHEMES BY THE INDIAN GOVERNMENT

- Under Ministry Of Electronics and Information Technology (MeitY)
- Support for International Patent Protection in Electronics & Information
- Multiplier Grants Scheme (MGS)
- Software Technology Park (STP) Scheme

### XII. CONCLUSION

India is a beautiful and seductive country. There is a lot to see and plenty of opportunity to expand your professional network. It will never serve as an excuse to turn off novel opportunities. There are several methods to generate money in the current environment. Startups may be quite successful in India, because the populace is well-educated and aware of business matters.

Indians are open to trying new things. Even the startup names are really disruptive. Top Indian startups may be rather typical. When attempting to create the most profitable firm in India, one must use innovative thinking. To continually attract customers and make money, startup ideas must be unique.

Since startups have a high failure rate, investors would consider the team's competence and viewpoint. Angel investors don't even put their own money up for investment since they cannot afford to lose. The only way to get money is to have complete faith in the viability of your business and your idea. Investors must have confidence in the people around them and think that they will lead your business in the right direction.

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