

Role of Startup India Ecosystem and Venture Capital

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Abstract:- Startup India is a dream project of our Hon'ble prime minister Shri Narendra Modi, this scheme "Startup India" is a flagship initiative of Government of India intend to create a strong ecosystem for nurturing innovation and startup in the country that will drive a sustainable economic growth and will generate a large scale of employment opportunities. With this action plan government hopes to accelerate spreading of startups movement, this action plan based on funding support and incentives, industry academic partnership and incubation, simplification and handholding. This scheme provides a supporting plate form for entrepreneur for startup the business with simplifying process with recognition, tax benefits , advertisement, training support by experience and industry expert. There are various Venture Capitalist, Banks, SIDBI, and States are committed to participate and supporting towards establishment of startups

Keywords - *Startup India, New Business Startup, Venture Capital, Government Startup Hub, Business Finance*

I. INTRODUCTION

Startup India is a flagship initiative of Government of India intend to develop as strong ecosystem to nurturing innovation and startup the country aim to such steps will drive sustainable economic growth and generate large scale of employment opportunities in the country . Government has set up a fund with an initial corpus of INR 2,500 crore and a total corpus of INR 10,000 crore over a period 4 years i.e. INR 2,500 crore per year. The Fund will be in the nature of Fund of Funds, which means that it will not invest directly into Startups, but shall participate in the capital of SEBI registered Venture Funds. This scheme is a self certification scheme in respect of nine labor and in environment laws and told by authority , there will be no inspection during the first three years of launch of the venture. This scheme is very simplified for startups and providing good ecosystem, self-certification made for reduce regulatory burden on startups. There are real time and practical support by dedicated Startup Hub, Simplifying the startup process, patent protection and registration rebate, exemption of tax burden up to years, support by resource unit, practical guide by industry experience and experts. This scheme is supported by various government body and Venture capitalist they are playing very instrumental roles to stand up startups , as initial corpus fund of fund is Rs. 10000 crore which route via SIDBI and venture capital are regulated to invest and participate via registration with SEBI along with FVCI foreign venture capital can be invested as per guidelines created by RBI. Along with these LIC is co-investor of the fund. Overall there are very healthy environment for startup and instrumental support by assigned key department and authorities.

Startup India

Startup India initiative by our Hon'ble Prime Minister Sh . Narendra Modi under flagship of Government of India. This initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive for growth of Start-ups. The agenda of "Startup India" to intend to develop strong ecosystem for naturing innovation and startup in the country with aim to such steps will drive sustainable economic growth and generate large scale employment opportunities in the country. Since started the scheme 2408 application received from the startup for recognition out of that 742 has been recommended for funding and forwarded for DIPP remains has been advised with support guidelines for relevant docs by dedicated startup India Hub . This Startup India has announced for self-certification scheme in respect of 9 labor and environment laws and said there will be no inspection during the first three years of the launch of the venture. Government has set up a fund with an initial corpus of INR 2,500 crore and a total corpus of INR 10,000 crore over a period 4 years i.e. INR 2,500 crore per year. The Fund will be in the nature of Fund of Funds, which means that it will not invest directly into Startups, but shall participate in the capital of SEBI registered Venture Funds. Key features of the Fund of Funds are highlighted below:- The Fund of Funds shall be managed by a Board with private professionals drawn from industry bodies, academia, and successful Startups. – Life Insurance Corporation (LIC) shall be a co-investor in the Fund of Funds

- The Fund of Funds shall contribute to a maximum of 50% of the stated daughter fund size. In order to be able to receive the contribution, the daughter fund should have already raised the balance 50% or more of the stated fund size as the case maybe.
- The Fund shall ensure support to a broad mix of sectors such as manufacturing, agriculture, health, education, etc.

Here are important takeaways from the prime minister's speech and guidelines contents

- 1- Compliance regime based on self certification
- 2-Simplifying the Startup process
- 3-Startup India Hub
- 4-Patent Protection and rebate facility
- 5- Credit Guarantee Fund
- 6-Funds of funds
- 7- Tax exemption for Startup
- 8-Exemption from Capital Gain Tax
- 9-Tax exemption on investments above Fair Value
- 10-Setting up of 35 New incubators in Institutions
- 11-Promote entrepreneurship in Biotechnology
- 12-Setting up of 7 new research parks
- 13-Panel of facilitators to provide legal support and assist in filing of patent application
- 14-Relax norms of public procurement for startups
- 15- 80 percent rebate on filing patent applications by startups
- 16- Faster exits for startups

Above are valuable support by government of India as well associated key players to support the new startup business eg. Reserve Bank of India, SIDBI, associated Banks, Venture Capital Firms etc.

Start up eligibility

A startup should be :

- Upto 5 years from the date of incorporation or registration
- Incorporation applicable either LLP, Private Ltd. or Partnership firm
- enterprises turnover should be less than 25 crore.
- Entity should not be split or already reconstruction of business.
- Working in the field of Innovation development , commercialization of new product development, Process of

service driven by technology or intellectual property . In order to meet the objectives of the initiative, Government of India has announced the action plan that address all aspect of the startup ecosystem on 16th January 2016. With this action plan the government hope to accelerate spreading of the Startup movement .

-Funding support and incentives-Simplification and Handholding-Industry-Academia Partnership and Incubation

Initiative by Banks

Banks are integral part for the startup ecosystem, various banks has launched dedicated policy , scheme guidelines with cooperation loan department exclusively for startup , Banks dedicated professional support for loan and project support guidelines.

Initiative of SIDBI

Start-up initiatives of SIDBI : Fund of fund operations.

SIDBI is working as Fund of Fund operations– contribution to venture funds along with SIDBI is a direct investment route to MSMEs through through it owned subsidiary- SIDBI- Venture Capital Ltd. It is also supporting via dedicated startup support website- www.sidbistartupindia.in.

SIDBI is also playing major roles those are:

- MSME-Risk Capital Fund (RCF) of Rs.2000 crore (pursuant to budget announcement in FY 2009 and resources through PSL mechanism) established - stands fully committed
- India Aspiration Fund [IAF] was formally launched on August 18, 2015 by Hon'ble Finance Minister (pursuant to budget announcement and resources through PSL mechanism)
- SIDBI is also managing Rs.60 crore "ASPIRE Fund" of Ministry of MSME with focus on Agro and Rural enterprises

- LIC has allocated an initial amount of Rs.200 crore to be managed by SIDBI for investment in VCFs along with India Aspiration Fund (IAF)
- Govt. of India has established Fund of Funds for Startups [FFS] of Rs.10,000 Crore with SIDBI as part of Startup Action Plan

Initiatives of States

There are nos. of States are in the allied initiative and key benefits offered by various states for facilitate a strong startup ecosystem those state/ territory are Andhra Pradesh, Bihar, Goa, Gujrat, Karnataka , Kerala, Madhya Pradesh, Orissa, Rajsthan, Telangana, Uttara Khand , Uttar Pradesh, West Bangal.

II. INITIATIVE OF VENTURE CAPITAL FIRM

There are 209 Venture Capital and Private Equity firms are registered with SEBI to support startup ecosystem with the category wise catering according to field of experience to startup eg. Agriculture, Construction, Finance, Information Technology, Automobiles, Electronics, Bio- technology & allied health sector etc. These venture capitalist, Private Equity Firms, Crowed funder are associated with SIDBI who is master management of Funds of fund since . These VCs are associated and registered as per guideline by Reserve Bank of India as well governed by VCAI – Venture Capital Association of India. These Venture Capitalist are very supporting and taking interest to support startup Eco-systems with their Experience, expertise, and financially support via pre defined funding route.

III. INITIATIVE OF INDUSTRY EXPERT

Startup India Learning Program is a free online Entrepreneurship program by Startup India, a GOI initiative. Invest India in collaboration with UpGrad has developed this program. The aim is to help entrepreneurs get their ideas and ventures to the next level through structured learning. The program covers lessons on key areas of starting up by 40+ top founders of India in an extensive 4-Week Program.Key program features are : Industry insight, language option for entrepreneur , business plan and certification. This program syllabus covers Idea validation, financial & legal, Pitching and funding .

IV. CONCLUSION

This initiative benefits startups on many levels. According to a recent study, over 94% of new businesses fail during first year of operation. Lack of funding turns to be one of the common reasons. Money is the bloodline of any business. The long painstaking yet exciting journey from the idea to revenue generating business needs a fuel named capital. That's why, at almost every stage of the business, entrepreneurs find themselves asking – How do I finance my startup? Now, when would you require funding depends largely on the nature and type of the business. Self-funding, also known as bootstrapping, is an effective way of startup financing, especially when you are just starting your business. First-time entrepreneurs often have trouble getting funding without first showing some traction and a plan for potential success. You can invest from your own savings or can get your family and friends to contribute. This will be easy to raise due to less formalities/compliances, plus less costs of raising. In most situations, family and friends are flexible with the interest rate. Self-funding or bootstrapping should be considered as a first funding option because of its advantages. When you have your own money, you are tied to business. On a later stage, investors consider this as a good point. But this is suitable only if the initial requirement is small. Some businesses need money right from the day-1 and for such businesses, bootstrapping may not be a good option. In such cases startup have to approach for fund to traditional system Bank loan, Crowed funding , angel investment , Venture Capital, Funding for business & accelerators, Mudra Loan Yojna and Startup India for which discussed in details is very supportive scheme by Government of India .

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