



Vijay Kumar Shrotriyia

## Startup India Action Plan: Provisions and Prospects

In the month of January, the prime minister of India, Narendra Modi launched Startup India Action Plan to encourage entrepreneurship and to facilitate startups. This Action Plan consists of detailed scheme of things and addresses the issues relating to obstacles which generally entrepreneurs have been facing. The bureaucratic hassles, problems in raising finances, and availability of networks to reach out to the customers have affected the conversion of idea into reality for many new starters. The fight between big and small, old and new has also been one of the deterrent to start a new venture.

### Political Challenge

Ever since the NDA Government took the office they have been pushing the industry and inviting foreign investments to boost economic growth. It has also created a positive market perception and corporates have welcomed the initiatives, though the hassles like passing of GST Bill by the parliament has posed political challenge and discouraged industry as a whole. It was around six months back when from the ramparts of the Red Fort, the prime minister called upon youth to start up and stand up for starting new ventures and instead of being an employee (job seeker) to become employers (job provider).

In that direction, the Action Plan focuses on simplification of procedures in starting new ventures and provision of funding and industry-academia collaborations through various schemes and incentives. As mentioned in the document – *Startup India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment*

*opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design. The initiative attempts to cover almost all sectors of economy spread in all parts of the country, rural or urban areas, big or small cities.*

### Technology is a Big Differentiator

Technology is a big differentiator in increasing the performance and efficiency in modern day enterprises and encouraging youth to effectively use it for convenience, economy and speed. It is proposed that a Startup mobile app shall be launched on 1<sup>st</sup> April 2016, which shall smoothen the processes of registration and compliance. The App shall have



backend integration with the ministry of corporate affairs and registrar of firms for tracking applications, downloading digitized registration certificate, and filing compliances (and checking clearances, approvals or/and registrations). This app could also be used as a platform to discuss and disseminate information, suggestions and ideas and to apply for different schemes under startup initiative. It shall speedup registration process and interactions between all stakeholders through web-based interface.

Startup mobile app shall help in self certifying the compliance of labor and environment laws which removes the provision of inspection and verification for such startups for 3 years of their

inception. However in case of any credible and verifiable complaint regarding violation of any of the labor laws, they may be inspected. These labor laws are identified as – The Building and Other Constructions Workers' (Regulation of Employment & Conditions of Service) Act, 1996; The Inter-State Migrant Workmen (Regulation of Employment & Conditions of Service) Act, 1979; The Payment of Gratuity Act, 1972; The Contract Labor (Regulation and Abolition) Act, 1970; The Employees' Provident Funds and Miscellaneous Provisions Act, 1952; and The Employees' State Insurance Act, 1948. Only random checks are to be done if startups fall under the Central Pollution Control Board certified 'white category' so far as environment laws are concerned which are identified as The Water (Prevention & Control of Pollution) Act, 1974; The Water (Prevention & Control of Pollution) Cess (Amendment) Act, 2003; and The Air (Prevention & Control of Pollution) Act, 1981.

### Enabling Environment

Ease of doing business has been felt and stated as one of the major concerns of industry and entrepreneurs both from within the country or coming from other parts of the globe. The Action Plan proposes the establishment of Startup India Hub to create an enabling environment through collaborative approach by following hub and spoke model. It is proposed that the collaboration shall be between central and state governments, Indian and foreign venture capitalists, angel networks, banks and financial institutions, incubators, legal partners, consultants, universities and research and development institutions. All these agencies shall collaborate in mentoring startups through various programs and also encourage private organizations



which are aspiring to foster innovation. The hub shall facilitate the process of financing, feasibility testing, and management evaluations apart from providing business structure advisory, marketing skills, and technology commercialization.

## Filing for Patents

Indian business has suffered because of weak protective measures affecting intellectual property rights. Though our corporates are maturing and spreading their wings to other parts of the world, their IPRs have not been protected effectively. There have been instances of infringements and duplicity in many cases. Ignorance and loopholes in the system have marred innovation, ownership registrations and rights. While the launch, the prime ministers asked to combine IP (intellectual property) and YP (youth property). Startup Intellectual Property Protection scheme is proposed to facilitate filing of patents, trademarks and designs. It is proposed that the process of patent application and registration shall be fast tracked through the use of technology and the panel of facilitators. These facilitators be allowed to appear on behalf of Startups at hearings and contesting opposition. The Government has really gone steps further in encouraging startups for their innovations to be patented by agreeing to bear all costs involved of facilitators for any number of patents, designs or trademarks. The startups shall pay only statutory fees and the Government shall provide 80% rebate on filing for patents, helping them to develop their idea into reality during formative years.

## Management

A fund with initial corpus of Rs. 2,500 crore shall be created by the Government to provide funding support to the startups which shall make it Rs 10,000 crore in 4 year time (Rs 2,500 crore every year). It shall be fund of funds and would participate through SEBI registered venture funds and would not directly invest into startups. Its management shall be through a board drawn from industry,

academia and successful startups and the LIC shall be a co-investor in this fund.

We have grown with the success stories of individuals, organizations and nations all across. These stories have enthused a sense in us to make us believe that if we keep putting our efforts towards the cause we are bound to succeed. Many times we also get carried away with the glamor of the prestige successful individuals enjoy. We tend to overestimate the influence of external factors for their success and ignore their beavering journeys. We also forget that the proportion of success is much less than failure. Former president of India, Abdul Kalam said - *Don't read success stories, you will get only message, read failure stories, you will get ideas to get success.* It is so apt for the entrepreneurs who take risk and put efforts to initiate their business enterprise or startup (as it is called these days).

## Short Lived

A well recorded and referred report prepared by Bloomberg concluded that 80% of the startups don't see 18 months of life. It suggests that the failure rate is too high so far as new ventures or startups are concerned. Though we do not have absolute data on failure of entrepreneurs or businesses, it is believed that many startups do not survive long and sustain growth. Yet there are good number of them who survive and stand the challenge of time through responding to market forces.

The Action Plan provides ample scope for disruption through innovation and safeguard for failures. It believes in the spirit of experimentation and learning through them rather than the force of fear of failure. Safe exits are proposed if the venture does not reap good fruits. The Insolvency and Bankruptcy Bill 2015 has facilitating provisions to voluntary closure of businesses. The Action Plan provides various tax exemptions to the Startups. They would be exempted from income tax for 3 years. Overall the kind of tax exemptions this proposal provides are



remarkable and it is viewed by many entrepreneurs as a positive step towards encouraging youth to venture to experiment and to give wings to their dream.

Some other key initiatives which the Action Plan presents include Atal Innovation Mission with Self-Employment and Talent Utilization program, calling for integration between DST and MHRD with IITs, IIMs, NITs and other research and academic institutions of national importance through 18 Technology Business Incubators, 7 Research Parks at IITs in line with the model developed by IIT Madras, developing Biotechnology sector, organizing Annual Incubator Grand Challenge for identifying 10 incubators who have potential to become world class, Uchhattar Avishkar Yojana with Rs 250 crore per annum for very high quality research amongst IIT students.

## An Ecosystem

After going through the details of the action plan I have no hesitation in saying that it shall be successful in changing the laid-down attitude of youth who were afraid of the bottlenecks and risk involved in experimenting the idea. I would like to applaud this initiative of the Government and feel that the most important aspect of this plan is to develop an ecosystem where industry, academia and the Government are aligned together to foster the spirit of innovation of entrepreneurship. As Nikesh Arora of Softbank says - *2015 was the year of tremendous funding – and a shakeout. 2016 to be the year of execution for Indian startups*, I too feel that 2016 and 2017 would be years of Startups and would expound the dreams of many unsung heroes.

May be we shall have to wait a while when from its present third place in the world of startups, we gradually march towards gaining first position.

*(The author is a Professor at University of Delhi and can be reached at vkshro@gmail.com)*