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Entrepreneurship and Start-Ups: Ease of doing Start-Up's Business in India

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Abstract

India emerged as 3rd largest start-ups ecosystem, 3rd largest economy on PPP Model and 6th largest economy in the world. The growth of any nation depends upon various factors out of which main concern is related to key issues, problems and their cost-effective solutions taken by start-ups on novation basis. In order to promote such start-ups in India, Government also addresses various changement and introduce new policies and programs like Start-Up India policy 2016, New Companies Act 2013, Consumer Protection Act, (Amendment) 2019, and relaxation of Law and from compliances, self-Certification schemes, and other kinds of financial aids to such start-ups. This article also explains how India improves the ecosystem and built a red-carpet platform from red-tapism by changes of taxation procedures, time taking procedures and dedicated ministry for start-ups and industry and other nine factors as per ease of doing business according to world bank report,2019. Authors here tried to study the start-ups policy and their impact, various Laws, rules & Regulations and growth of start-ups in India on descriptive analysis basis based on secondary data mainly from DPIIT, startupindia.gov.in, various ministry websites and research articles, etc. The study found a positive result of start-ups policy and various Laws on the growth of start-ups and its ecosystem with top 3 cities emerged as Top start-ups are Delhi including NCR, Bengaluru and Mumbai respectively.

***Keywords**: Start-Up Policy, Registration Procedures, DPIIT, Self-CERTIFICATION, No Inspection, Tax Holidays Period, Co-Workspace, Unicorn, IPRs.*

Introduction

History and Background

The Concept of Start-up India and policy was first used and introduced by our Honorable PM Mr. Narender Modi in 2016 in India. The Concept of entrepreneurship was firstly used by the French according to Encyclopedia Britannia. Earlier it was used in Military expeditions during 16th century then cover civil engineering work during the 17th century after that used in Oxford dictionary in 1897. The term further recognized its place in business in 1933.

India is progressing day by day and its position in ease of doing business and startups ecosystem is very much inspiring us. As per **World Bank's Report**, **2020**- India stands 63rd position in ease of doing business which is constantly increasing and better improving. Indian Startups ecosystem is emerged 3rd largest country among the world just behind of USA and China. Since we are talking about startups, so it is obvious to know firstly –what is startups? Here will see two definitions –one is general meaning which is applicable as universal and another one is specific for Indian domain only with reference to DPIIT, Govt. of India's benefits, subsidy and other schemes in order to encourage them and creating job employment.

The FM of India Ms. Nirmala Sitharaman proposed the extension of the date of incorporation for income tax benefits from 31st march,2023 to 31 march 2024 and carry forward losses upto 10 years and Rs 283.5 crores on start-up India seed funding which is higher than of previous budget as per recent budget speech 2022-2023. (***The Economics Times, 13 Feb. 2023***).

Meaning and Definitions

Start-up means the initial level of venture or business by the entrepreneur who is taking risk and solve the problem of society in a unique way.

Department for promotion of Internal and Industry Trade (DPIIT) defined- a start-up as an entity incorporated or registered in India with following parameters:

- Established not prior to seven years, (for Biotechnology Startups not prior to ten years)
- With annual turnover not exceeding INR 25 Crores in any preceding financial year, and
- Working towards innovation, development or improvement of products or processes or services,
- It is a scalable business model with a high potential of employment generation or wealth creation

It is to be noted that such entity is not formed by splitting up, or reconstruction, of a business already in existence. Also, an entity shall cease to be a start-up if its turnover for the previous financial years has exceeded INR 25cr now 100 Crores or it has completed 7 years (biotechnology startups 10 years) from the date of incorporation/ registration (As per Start-up India, 2017)

Start-ups must be registered under either of any 3 ways of following:

Start-up Incorporation (7or/10 years period as case may be)	**Under Statutory Body Registered**
Pvt. Ltd company/One Person company-(OPC)	Companies Act,2013
LLP	Limited Liability Partnership Act, 2008
Partnership Firm	Partnership Act, 1932

Literature Review

- **Start-up India Action Plan (2016)** explained about the various schemes regarding start-up's growth and relaxation of legal barriers so that startups easily operated in the country.
- **World Bank Report (2018)** investigated the countries for ease of doing business on different parameters and data showed that India jumped to 77th rank in Ease of Doing Business with various improvement and new laws after 2013-14 onwards like New Companies Act, 2013, introduction of GST, IBC Act 2016 etc.
- **Nasscom (2018)** studied the growth rate of technology based startups from 2013-14 to 2018 and the highest number of unicorns in 2018 and ranked third position in this.
- **Economic Survey (2023)** explained about the current situation of economic growth and development and also plan for future project based on its strength and opportunities seen globally. During this harsh period, how India is maintained its GDP, Inflation and all while most European and developed countries faced a lot of problems. Government introduced a lot of incentives to support MSMEs, industry and agriculture sectors etc.

Research Objectives

- To study the start-up policy introduced by the Government for self-dependent or *Atmanirbhar Bharat*.
- To study the changement of Law, rules and regulation in order to provide the best ecosystem.

Analysis and Discussion

For the sake easy understanding, we are taking following sub contents to clarify the objectives and recent changement to facilitate ease of doing startups business in India.

Digital Initiative

The ambitious '**Digital India**' project of Prime Minister Narendra Modi total overlay of Rs 1 lakh crore Vision to transform India into a digitally empowered society and knowledge economy, across the ICT infrastructure, electronics manufacturing, e-governance services, capacity building, and job creation. Some of the schemes introduced by The Department of Electronics & IT are as below: -

- Online facility to Issue PAN Card in 48 hours
- Online Facility for File Single Return:
- Digital Locker
- Digital Life Certificate
- Twitter Samvad
- Pragati- monitoring and reviewing programs and projects of both Central Govt and State Government initiatives and also addressing common man's grievances.
- Electronic money order service through Department of Posts (DoP) etc.

Start-Ups Schemes and Policy

- Standup India
- Mudra Loan Scheme
- Startup India
- Atal Innovation Mission-AIM
- Self-Certification for 6 Labour and 3 Environment Laws

Central Govt Initiative under Make in India Schemes

Easy way to Start a Business -as per Make in India. The following steps are initiated as below:

- Permanent Account Number (PAN), Tax Deduction & Collection Account Number (TAN), Director Identification Number (DIN) have now been merged into a **single form (SPICe)** for company incorporation.
- Elimination of incorporation fee for companies with an authorised capital of up to Rs. 15 Lakh.
- Five-page form and other attachments for reserving the name of the Company with the Ministry of Corporate Affairs have been simplified into a simple web service with only three fields to be filled.
- Registration under Employee State Insurance Corporation (ESIC) and Employee Provident Fund Organisation (EPFO) is available at Shram Suvidha portal as a common online service with no physical touchpoint.
- No requirement of inspection before registration under the Shops & Establishment Act in Mumbai and Delhi
- Companies Act was amended to eliminate the requirement of a common company seal.

Recently Government has introduced a series of steps to promote start-Up in the country under start-up India schemes during the **Budget 2022-2023**, some of them are mentioned as below:

  - Funds of Funds for start-ups (FFS)
  - start-ups India seed Fund Schemes (SISFS)
  - Credit Guarantee Schemes for Start-Ups (CGSS) etc. are introduced as Capital assistance during the business cycles of a start-Ups.

Table-1-(A) No. of Legislations (Before 2014)

S. No.	Types of Legislations	No. of Legislations
1.	Acts Affecting an Industrial Unit	58
2.	Labour Legislation	21
3.	Other Acts for specific Industries	13

4.	Taxation	6
5.	Regulations of Industries	27
6.	General	8
	Total	**133**

Sources: Vasant Desai, p-527, Himalaya Publishing House, Mumbai, ed-2015

Table-B, Inspector Raj: The Great Survivor

Ministry	No. of Inspectors	Work done
Industry, Equipment	**5**	Check registration, Investigation, Tax payment, quality control, safety etc.
Home	**2**	Check fire protection facilities and compliance with explosives Act
Planning and Statistics	**1**	Collect data on production, manpower, man hours utilized and lost.
Finance	**12**	5 for Income tax and 7-for Excise department
Separate Revenue	**5**	Enforcement, verification and recovery of sales tax, enrolment of professional tax, weights and measures
State Revenue Dep	**1**	Registration of professionals
Labour	**8**	Checking compliance with different labour laws etc.
Municipal Corporation	**2**	Municipal byelaws
Power & energy	**1**	Electricity connections
Health & family welfare	**2**	Hygiene and occupational health
Urban Affairs & employment	**1**	Sanitation
Environment & Forest	**2**	Pollution Control
Communication	**1**	Telecom Facility
Local self Govt.	**2**	Octroi and mass raids
Food & drug Administration	**1**	Safety standards
Total	**46**	

Sources: Vasant Desai, p-523, Himalaya Publishing House, Mumbai, ed-2015

Here, above table A and table B shows that How India reduced and relaxed the Law and procedures from 133 to 46, so that now no inspection has happened for various industry and they are allowed to self-certify and freely operated subject to followed rules and regulation up to certain period and nature of business. It shows that 3 to 4 inspector/ Inspections per day earlier happened but now a days there is nothing as such except few or 1 inspection per month.

Table 2: Comparison of Law, Policy before and after Make in India Schemes

Name	Previous (1956-2013)	Now (2014-2018)
Incorporation of a company	10 days	1 day
Validity of industrial license	3 years	7years
No. of documents required for export and import	11 documents	3 documents
Power connection provided	180 days	15 days
Exit from business due to IBC Act,2016	Long time/ many years	Within 90 days
Permanent Residency Status for foreign Investor	------	10 years
Implementation of GST	Many types of tax filling	Single tax framework after April,2017
Certification from various Law	Mandatory	Self-certification (Like- Labour, Environment etc.) and relaxation upto 3 years/ upto certain extent exclusive for Startups.

Sources- Balvir Kumar, M. Com Dissertation Thesis,2019

Here, we do a comparisons analysis of Indian Law over a period, and it shows a dynamic change during the period 2014 -2023.The Initial stage of registration, incorporation of company to compliances, everything become very easy and smooth and all details are available online/ digitally possible.

Conclusion

Government has really done amazing job during past decades and now India is focusing on *Atmanirbhar Bharat* @75 very aggressively by various gentle series of activity, policy and startups support schemes by the government of India and other agencies, state governments, etc. They are providing co-work space, financial assistance per month upto 2/ 3 years as per states, IPRs registration filling, training etc. There is a consistent improvement in ease of doing business from 100 to 63 over period of time. The most hot destination of R&D Innovation, and entrepreneurship hub in India is Bangalore emerged. Government has also initiated development of Advance infrastructure and technology like-Bharatmala Project, NH Highway-Delhi Mumbai corridor, Indian railway upgradation, Bullet train, Metro train, increased the number of airports from 74 to 174 etc. The nine measurement factors of ease of doing business under DPIIT Reforms (2019) are improved like-Getting credit reforms update 2019. Paying taxes reforms 2019, Resolving Insolvency reform, Construction permit, registering property, enforcing contract reforms, starting a business reform, trading across boarder reforms etc were taken by the government of India. The number of registered start-ups is also increased and crossed 80,000 (DPIIT registered) with top 3 states/ Cities are Delhi NCR, Bangalore (Karnataka) and Mumbai (Maharashtra). On the other hand, some research found that there is lack of awareness of among people and they are not availing benefits and faces challenges during initial stages. As per Insolvency and Bankruptcy code, 2016, start-up with normal debt structure can be wound up within 90 days of filling for same. Now a days Indian start-ups are entering new domain like defence, agritech, heathcare, edutech etc and also entering the Global market, some of them are UpGrad, skyroot, BoAt, Agnikul, Oyo Rooms etc. They are growing and there is positive growth in terms of Employment growth, engagement. Job interest and attraction of top talent during the past decades. Female Entrepreneurs are also growing and lead the market, some examples are- Mamasearth, Nykaa, Shopclues, zivame, Yourstory, sheroses, Sugarbox etc. It is concluded that Indian start-up ecosystem has positive impact on ease of doing startups business and overall all policies and Law are benefited to enhance the business, that’s the reason Indian economy is emerged as top economy of the world and stands 6th largest economy in the world by nominal GDP, with value of USD 3.92 trillion for 2025-26 according to IMF data.

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