GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE
RAJYA SABHA

UNSTARRED QUESTION NO. 696.
TO BE ANSWERED ON FRIDAY, THE 08TH DECEMBER, 2023.

GROWTH OF STARTUP ECOSYSTEM

696.   Smt. Seema Dwivedi:
        Dr. Sikander Kumar:

Will the Minister of **Commerce and Industry** be pleased to state:

(a)   the steps taken by Government to encourage the growth of the startup ecosystem in the country;

(b)   whether there has been a significant increase in the number of startups and unicorns in the country since 2018, and if so, the details thereof;

(c)   the details of specific startups that have demonstrated notable growth in India; and

(d)   details of the steps taken by Government to promote fintech startups in India?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY
(SHRI SOM PARKASH)

(a):   The Government with the objective of building a strong ecosystem for nurturing innovation, startups and encouraging investments in startup ecosystem of the country, launched the Startup India initiative on 16th January 2016.

In order to achieve these objectives, the Government unveiled a Startup India Action Plan comprising of schemes and incentives envisaged to create a vibrant startup ecosystem in the country. The Action Plan comprises of 19 action items spanning across areas such as "Simplification and handholding", "Funding support and incentives" and "Industry-academia partnership and incubation". For attaining specific objectives of the Action Plan, various schemes and programs are being implemented by the Government. Details of these programs are placed as Annexure-I

(b) to (c):   Sustained efforts of DPIIT under the Startup India initiative have led to an increase in the number of recognised startups from over 7,000 in 2018 to 1,14,902 in 2023 as on 31st October 2023. Under various programs of Startup India initiative as listed in Annexure-I, notable startups are recognised and promoted as per program specific guidelines and criteria. The data relating to number of startups that have turned unicorns is not centrally maintained by the Government.

(d): The Government has undertaken various efforts to promote startups in the country across multiple sectors including startups engaged in the finance technology (fintech) sector. The details of such initiatives are placed as Annexure-I. As a result, there are 3,578 DPIIT recognised startups in the fintech sector as on 31st October 2023.

Additionally, the Government has taken measures to develop and regulatefinancial services, financial institutions and financial products through the International Financial Services Centres Authority (IFSCA). The Government has also undertaken other measures to promote fintech in India though Pradhan Mantri Jan Dhan Yojana (PMJDY), Aadhar and Mobile (JAM trinity) along with Unified Payments Interface and other programs.

Details of these key initiatives undertaken by the Government for the fintech ecosystem in India are placed as Annexure-II.

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ANNEXURE REFERRED TO IN REPLY TO PARTS (a) TO (d) OF THE RAJYA SABHA UNSTARRED QUESTION NO. 696 FOR ANSWER ON 08.12.2023.

The details of various programs undertaken by the Government to promote startups under Startup India initiative across the country are as under:

1. **Startup India Action Plan:** An Action Plan for Startup India was unveiled on 16th January 2016. The Action Plan comprises of 19 action items spanning across areas such as "Simplification and handholding", "Funding support and incentives" and "Industry-academia partnership and incubation". The Action Plan laid the foundation of Government support, schemes and incentives envisaged to create a vibrant startup ecosystem in the country.

2. **Startup India: The Way Ahead:** Startup India: The Way Ahead at 5 years celebration of Startup India was unveiled on 16th January 2021 which includes actionable plans for promotion of ease of doing business for startups, greater role of technology in executing various reforms, building capacities of stakeholders and enabling a digital Aatmanirbhar Bharat.

3. **Startup India Seed Fund Scheme (SISFS):** Easy availability of capital is essential for entrepreneurs at the early stages of growth of an enterprise. The capital required at this stage often presents a make-or-break situation for startups with good business ideas. The Scheme aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization. Rs. 945 crore has been sanctioned under the SISFS Scheme for period of 4 years starting from 2021-22.

4. **Fund of Funds for Startups (FFS) Scheme:** The Government has established FFS with corpus of Rs. 10,000 crore, to meet the funding needs of startups. DPIIT is the monitoring agency and Small Industries Development Bank of India (SIDBI) is the operating agency for FFS. The total corpus of Rs. 10,000 crore is envisaged to be provided over the 14th and 15th Finance Commission cycles based on progress of the scheme and availability of funds. It has not only made capital available for startups at early stage, seed stage and growth stage but also played a catalytic role in terms of facilitating raising of domestic capital, reducing dependence on foreign capital and encouraging home grown and new venture capital funds.

5. **Credit Guarantee Scheme for Startups (CGSS):** The Government has established the Credit Guarantee Scheme for Startups for providing credit guarantees to loans extended to DPIIT recognized startups by Scheduled Commercial Banks, Non-Banking Financial Companies (NBFCs) and Venture Debt Funds (VDFs) under SEBI registered Alternative Investment Funds. CGSS is aimed at providing credit guarantee up to a specified limit against loans extended by Member Institutions (MIs) to finance eligible borrowers viz. DPIIT recognised startups.

6. **Regulatory Reforms:** Over 55 regulatory reforms have been undertaken by the Government since 2016 to enhance ease of doing business, ease of raising capital and reduce compliance burden for the startup ecosystem.

7. **Ease of Procurement:** To enable ease of procurement, Central Ministries/ Departments are directed to relax conditions of prior turnover and prior experience in public procurement for all DPIIT recognised startups subject to meeting quality and technical specifications. Further, Government e-Marketplace (GeM) also facilitates and promotes procurement of products and services by the Government from startups.

8. **Self-Certification under Labour and Environmental laws:** Startups are allowed to self-certify their compliance under 9 Labour and 3 Environment laws for a period of 3 to 5 years from the date of incorporation.

9. **Income Tax Exemption for 3 years:** Startups incorporated on or after 1st April 2016 can apply for income tax exemption. The recognized startups that are granted an Inter-Ministerial Board Certificate are exempted from income-tax for a period of 3 consecutive years out of 10 years since incorporation.

10. **Faster Exit for Startups:** The Government has notified Startups as 'fast track firms' enabling them to wind up operations within 90 days vis-a-vis 180 days for other companies.

11. **Exemption for the Purpose Of Clause (VII)(b) of Sub-section (2) of Section 56 of the Act (2019):** A DPIIT recognized startup is eligible for exemption from the provisions of section 56(2)(viib) of the Income Tax Act.

12. **Support for Intellectual Property Protection:** Startups are eligible for fast-tracked patent application examination and disposal. The Government launched Start-ups Intellectual Property Protection (SIPP) which facilitates the startups to file applications for patents, designs and trademarks through registered facilitators in appropriate IP offices by paying only the statutory fees. Facilitators under this Scheme are responsible for providing general advisory on different IPRs, and information on protecting and promoting IPRs in other countries. The Government bears the entire fees of the facilitators for any number of patents, trademark or designs, and startups only bear the cost of the statutory fees payable. Startups are provided with an 80% rebate in filing of patents and 50% rebate in filling of trademark vis-a-vis other companies.

13. **Startup India Hub:** The Government launched a Startup India Online Hub on 19th June 2017 which is one of its kind online platform for all stakeholders of the entrepreneurial ecosystem in India to discover, connect and engage with each other. The Online Hub hosts Startups, Investors, Funds, Mentors, Academic Institutions, Incubators, Accelerators, Corporates, Government Bodies and more.

14. **International Market Access to Indian Startups:** One of the key objectives under the Startup India initiative is to help connect Indian startup ecosystem to global startup ecosystems through various engagement models. This has been done though international Government to Government partnerships, participation in international forums and hosting of global events. Startup India has launched bridges with 20 countries that provides a soft-landing platform for startups from the partner nations and aid in promoting cross collaboration.

15. **Startup India Showcase:** Startup India Showcase is an online discovery platform for the most promising startups of the country chosen through various programs for startups exhibited in a form of virtual profiles. The startups showcased on the platform have distinctly emerged as the best in their fields. These innovations span across various cutting-edge sectors such as Fintech, EnterpriseTech, Social Impact, HealthTech, EdTech, among others. These startups are solving critical problems and have shown exceptional innovation in their respective sectors. Ecosystem stakeholders have nurtured and supported these startups, thereby validating their presence on this platform.

16. **National Startup Advisory Council:** The Government in January 2020 notified constitution of the National Startup Advisory Council to advise the Government on measures needed to build a strong ecosystem for nurturing innovation and startups in the country to drive sustainable economic growth and generate large scale employment opportunities. Besides the ex-officio members, the council has a number of non-official members, representing various stakeholders from the startup ecosystem.

17. **National Startup Awards (NSA):** National Startup Awards is an initiative to recognize and reward outstanding startups and ecosystem enablers that are building innovative products or solutions and scalable enterprises, with high potential of employment generation or wealth creation, demonstrating measurable social impact. Handholding support is provided to all the finalists across various tracks viz. Investor Connect, Mentorship, Corporate Connect, Government Connect, International Market Access, Regulatory Support, Startup Champions on Doordarshan and Startup India Showcase, etc.

18. **States' Startup Ranking Framework (SRF):** States' Startup Ranking Framework is a unique initiative to harness strength of competitive federalism and create a flourishing startup ecosystem in the country. The major objectives of the ranking exercise are facilitating states to identify, learn and replace good practices, highlighting the policy intervention by states for promoting startup ecosystem and fostering competitiveness among states.

19. **Startup Champions on Doordarshan:** Startup Champions program on Doordarshan is a one-hour weekly program covering stories of award winning/ nationally recognised startups. It is telecasted in both Hindi and English across Doordarshan network channels.

20. **Startup India Innovation Week:** The Government organises Startup India Innovation week around the National Startup Day i.e., 16th January, with the primary goal was to bring together the country's key startups, entrepreneurs, investors, incubators, funding entities, banks, policymakers, and other national/international stakeholders to celebrate entrepreneurship and promote innovation.

21. **ASCEND:** Under ASCEND (Accelerating Startup Caliber & Entrepreneurial Drive), sensitization workshops on startups and entrepreneurship were conducted for all eight North Eastern States with the objective to capacitate and augment knowledge on key aspects of entrepreneurship and continue efforts towards creating a robust startup ecosystem in these States.

22. **The Startup India Investor Connect Portal** has been co-developed under the Startup India Initiative with SIDBI, serving as an intermediary platform that links startups and investors in order to help entrepreneurs from various industries, functions, stages, regions, and backgrounds in mobilizing capital. The portal has been built with the aim to enable in particular; early-stage startups located anywhere in the country to showcase themselves to leading investors/ venture capital funds.

23. **National Mentorship Portal (MAARG)**: In order to facilitate accessibility to mentorship for startups in every part of the country, the Mentorship, Advisory, Assistance, Resilience, and Growth (MAARG) program has been developed and launched under the Startup India Initiative.

24. **MeitY Start-up Hub (MSH):** A nodal entity to interconnect deep tech startup infrastructure pan India a 'MeitY Start-up Hub' (MSH) has been set up under Ministry of Electronics & Information Technology (MeitY). MSH is assisting incubators and startups improving their scalability, market outreach, etc. and has also established partnerships with various stakeholders paving the way for an economy built on innovation and technological advancement.

25. **TIDE 2.0 Scheme:** Technology Incubation and Development of Entrepreneurs (TIDE 2.0) Scheme was initiated in the year 2019 to promote tech entrepreneurship through financial and technical support to incubators engaged in supporting ICT startups using emerging technologies such as IoT, AI, Block-chain, Robotics etc. The Scheme is being implemented through 51 incubators through a three-tiered structure with an over arching objective to promote incubation activities at institutes of higher learning and premier R&D organisations**.**

26. **Domain specific Centres of Excellence**: MeitY has operationalised 26 Centres of Excellence (CoEs) in diverse areas of national interest for driving self-sufficiency and creating capabilities to capture new and emerging technology areas. These domain specific CoEs act as enablers and aid in making India an innovation hub in emerging through democratisation of innovation and realisation of prototypes.

27. **Biotechnology Industry Research Assistance Council (BIRAC)**: An industry-academia interface agency of Department of Biotechnology, Ministry of Science & Technology is supporting biotech startups in all biotech sectors including clean energy and emerging technologies. Project based funding is provided to startups and companies for product/technology development under its's key Schemes including Biotech Ignition Grant (BIG), Small Business Innovation Research Initiative (SBIRI) and Biotechnology Industry Partnership Programme (BIPP). Incubation support to the startups and companies is also provided through Bioincubators Nurturing Entrepreneurship for Scaling Technologies (BioNEST) Scheme.

28. **SAMRIDH Scheme**: MeitY has launched the 'Start-up Accelerator Programme of MeitY for Product Innovation, Development and Growth (SAMRIDH)' with an aim to support existing and upcoming Accelerators to further select and accelerate potential software product based startups to scale.

29. **Next Generation Incubation Scheme (NGIS)**: NGIS has been approved to support software product ecosystem and to address a significant portion of National Policy on Software Product (NPSP) 2019.

30. **Support for International Patent Protection in E&IT (SIP-EIT) Scheme**: MeitY had initiated a scheme titled "Support for International Patent Protection in E&IT (SIP-EIT) that encourages international patent filing by Indian MSMEs and startups so as to encourage innovation and recognize the value and capabilities of global IP. Reimbursement provided under the scheme is up to a maximum of Rs. 15 lakhs per invention or 50% of the total expenses incurred in filing and processing of patent application up to grant whichever is lesser.

31. **North-East Region Entrepreneurship & Startup Summit (NERES)**: Ministry of Skill Development and Entrepreneurship organised NERES, an entrepreneurship and startup summit aimed at offering a platform to promising startups and aspiring entrepreneurs across North-East Region (NER). The objective of NERES was aimed at stirring up entrepreneurial minds across the NER states and promotes startup entrepreneurs by offering them a platform to pitch their business ideas and also addressing various challenges faced by the startups. The programme provided a platform for aspiring and existing entrepreneurs/startups to participate and showcase their business ideas and plan. It also helped them to learn more about the good practices and network with fellow startups. The programme has paved the way for startups and entrepreneur to seek support from mentors and an ecosystem that support their business growth.

32. **Atal Innovation Mission:** The Atal Innovation Mission (AIM) is a flagship initiative of the Government, set up by NITI Aayog to promote innovation and entrepreneurship across the length and breadth of the country. AIM has established Atal Tinkering Labs (ATLs) with the objective of fostering curiosity, creativity and imagination in young minds and inculcate skills such as design mind-set, computational thinking, adaptive learning, physical computing, rapid calculations, measurements etc.

33. **National Initiative for Developing and Harnessing Innovations (NIDHI):** Department of Science and Technology (DST) had launched an umbrella programme called National Initiative for Developing and Harnessing Innovations (NIDHI) in 2016 for nurturing ideas and innovations (knowledge-based and technology-driven) into successful startups.

34. **Innovations for Defence Excellence (iDEX):** iDEX was launched by the Department of Defense Production, Ministry of Defense, to achieve self-reliance and foster innovation and technology development in Defense and Aerospace by engaging industries such as MSMEs and startups, R&D institutes and academia and providing grants to carry out R&D.

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ANNEXURE REFERRED TO IN REPLY TO PART (d) OF THE RAJYA SABHA UNSTARRED QUESTION NO. 696 FOR ANSWER ON 08.12.2023.

Key Initiatives undertaken by the Government for the Fintech Ecosystem in India are as under:

1. **Pradhan Mantri Jan Dhan Yojana (PMJDY)** has been targeted at increasing financial inclusion in India by helping in new bank account enrollment of beneficiaries for direct benefits transfer and accessibility to a host of financial services applications. This has enabled Fintech startups to build technology products to penetrate the large consumer base in India.

2. **India Stack** is a societal initiative aimed at building public digital infrastructure to promote public and private digital initiatives including accelerated adoption of technology in finance**.**

3. **Aadhar,** the unique biometric identification system, has allowed Aadhar Enabled Payment System and Aadhar Payment Bridge System**:**

   - **Aadhar Enabled Payment System** allows individuals to conduct financial transactions on a Micro-ATM by furnishing their Aadhaar number and verifying it with the help of their fingerprint/iris scan**.**

   - **Aadhar Payment Bridge System** allows ease in bulk and recurring Government benefits and subsidy payments, facilitating operations from Aadhaar-linked bank accounts, using the biometric authentication.

4. Development and roll-out of authentication solutions including **digital KYC, video-based customer identification process, and digital signature on documents** has created various safeguards and a hassle-free system for Fintech startups and customers to leverage the technology-enabled solutions in the sector.

   - A central repository, **Central KYC**, has been developed for reducing the hassle of undergoing multiple KYCs for different financial institutions. This allows the KYC process of consumers to be conducted only once unless there are any changes in consumer details.

   - **KYC and customer on boarding costs** have been reduced significantly enabling expansion of financial services to rural India and opening their accounts.

5. **Unified Payments Interface** is a single platform that merges various banking services and features under one umbrella and has been built as a scalable payments platform supporting digital payments in India**.**

6. **International Financial Services Centres Authority (IFSCA)** measures: To promote our startup ecosystem especially in the fintech sector, IFSCA has taken various measures such as – launching a unique 'Fin-Tech Entity Framework' focusing on fintechs and techfins. The framework provides support to startups for developing their products/Minimum Viable

Product (MVP) or do a 'Proof of Concept (PoC) under the Innovation and Regulatory Sandbox of IFSCA. IFSCA has also launched an Incentive Scheme for the fintechs and Startups which comprises of various grants like Startup Grants, Sandbox Grant, PoC Grant, Green FinTech Grant, Listing Grant and Accelerator Grants. The fintech startups also benefit from the 'Regulatory Bridges' created by IFSCA with other international regulators for global market access.

7. **License for Payments Banks** has further helped in enhancing the financial inclusion drive in the country by allowing the setting-up of payments banks and expanding the cess to payments/remittance services. In a bid to promote digital payments banks in the country, RBI has announced an increase to the maximum end of day balance for payment banks to Rs. 2 lakh.

8. **National Automated Clearing House System** has been successfully used for making bulk transactions.

9. **Bharat Bill Payment System** has helped in enhancing consumer convenience to pay bills across utilities and other segments and has been expanded to include all categories of billers who raise recurring bills (except prepaid recharges) as eligible participants, voluntarily**.**

10. RBI has also developed a **Payments Infrastructure Development Fund (PIDF) scheme** to subsidise deployment of payment acceptance infrastructure in tier-3 to tier-6 centres.

11. The RBI has created a regulatory framework around Peer-to-Peer (P2P) lending by **recognising P2P lenders as Non-Banking Financial Companies (NBFCs**), thus providing alternative credit access to the unbanked.

12. **IRDAI** has undertaken various initiatives towards **boosting the insurance penetration**, such as permitting insurers to conduct video-based KYC, launching standardized insurance products and allowing insurers to offer rewards for low-risk behaviour.

    - **Government institutions** such as the Health ministry and the NITI Aayog are also **supporting the transformation in the insurance industry** through the National Digital Health Mission (NDHM), the Digital Information Security in Healthcare Act (DISHA) and the National Health Stack.

13. A world-class **Fintech hub** has been developed at the International Financial Services Centre (IFSC), **GIFT City** in Gandhinagar, Gujarat to further strengthen the vision of making India a global Fintech hub.

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