

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

**UNSTARRED QUESTION NO. 976.  
TO BE ANSWERED ON WEDNESDAY, THE 26<sup>TH</sup>, 2023.**

**FINTECH START-UPS**

**976. SHRI JAYANT SINHA:**

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

**वाणिज्य एवं उद्योग मंत्री**

- (a) the number of fintech start-ups in India;
- (b) the trends in capital funding and investment in this sector in the last five years; and
- (c) the detailed steps taken by the Ministry to promote the said sector?

**ANSWER**

**वाणिज्य एवं उद्योग मंत्रालय में राज्य मंत्री (श्री सोम प्रकाश)**

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

- (a):** In order to build a strong ecosystem for nurturing innovation, startups and encouraging private investments in the startup ecosystem of the country, the Government launched Startup India initiative on 16th January 2016.

As per eligibility conditions prescribed under G.S.R. notification 127 (E) dated 19th February 2019, entities are recognized as 'startups' under Startup India initiative by the Department for Promotion of Industry and Internal Trade (DPIIT). Since the launch of Startup India initiative in 2016, DPIIT has recognised 98,119 entities as startups as on 30<sup>th</sup> April 2023.

Furthermore, DPIIT has recognised startups which are spread across more than 56 diversified sectors. As on 30<sup>th</sup> April 2023, 3,085 recognised startups are engaged in the finance technology (fintech) sector.

- (b):** No such data is maintained centrally.
- (c):** The Government has undertaken various efforts to promote startups in the country across multiple sectors including startups engaged in the fintech sector. The details of such initiatives are placed as **Annexure-I**.

Additionally, the Government has notified International Financial Services Centres Authority (IFSCA) to develop and regulate financial services, financial institutions and financial products in the International Financial Services Center (IFSC). 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.

The Government has also taken several measures to increase investment inflows in the fintech sector. The 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.

Aadhar, the unique biometric identification system, allows the public to access government digital services thereby improving the availability and transparency for social payments including financial assistance to those in need.

Unified Payments Interface is 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.

Jan Dhan Yojana, Aadhar and Mobile (JAM trinity) along with Unified Payments Interface have been instrumental in providing financial inclusion and bringing in transparency, integrity and timely delivery of financial benefits and services to the public.

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 PART (c) OF THE LOK SABHA UNSTARRED QUESTION NO. 976 FOR ANSWER ON 26.07.2023.**

**The details of various programs undertaken by the Government to promote startups 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. 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.
- 3. 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.
- 4. Regulatory Reforms:** Over 50 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.
- 5. 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) Startup Runway has been developed which is a dedicated corner for startups to sell products and services directly to the Government.

6. **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.
7. **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.
8. **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.
9. **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 through international Government to Government partnerships, participation in international forums and hosting of global events. Startup India has launched bridges with over 17 countries that provides a soft-landing platform for startups from the partner nations and aid in promoting cross collaboration.
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. **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.
12. **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.
13. **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.

14. **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.
15. **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.
16. **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.
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. **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. Currently, 82 Alternative Investment Funds (AIFs) and more than 1,900 startups have already registered on the platform.
22. **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.
23. **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.
24. **Startup20 Engagement Group:** As a result of India's belief in startup ecosystem, a Startup20 Engagement Group under India's G20 Presidency has been institutionalised which is working towards harmonisation and cross collaboration amongst the largest global economies. The engagement group acts as the voice of the global startup ecosystem bringing together varied stakeholders on a common platform. The group aims to support startups by enabling synergies between startups, corporates, investors, innovation agencies and other key ecosystem stakeholders internationally and to create global synergies.

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

1. **Jan Dhan Yojana** 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** has been built as a scalable payments platform supporting digital payments in India.
6. **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 access 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.

7. **National Automated Clearing House System** has been successfully used for making bulk transactions.
8. **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.
9. 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.
10. 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.
11. **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.
12. 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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