

REPORT NO.

182



PARLIAMENT OF INDIA
RAJYA SABHA

DEPARTMENT RELATED PARLIAMENTARY STANDING COMMITTEE
ON COMMERCE

ONE HUNDRED AND EIGHTY SECOND REPORT

Ecosystem of Startups to benefit India

(Presented to the Rajya Sabha on 10th August, 2023)
(Laid on the Table of Lok Sabha on 10th August, 2023)



Rajya Sabha Secretariat, New Delhi
August, 2023/ Shravana, 1945 (Saka)

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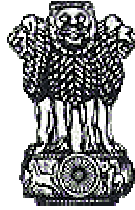
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सत्यमेव जयते

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* To be appended at later stage.

**COMPOSITION OF THE COMMITTEE
(Constituted w.e.f. 13th September, 2022)**

1. Dr. Abhishek Manu Singhvi — *Chairman*

RAJYA SABHA

2. Shri Ayodhya Rami Reddy Alla
3. Shrimati Priyanka Chaturvedi
4. Shri Jayant Chaudhary
5. Shri Jugalsinh Lokhandwala
6. Shri Dhananjay Bhimrao Mahadik
7. Shri Deepak Prakash
8. Shri Vikramjit Singh Sahney
9. Shri K. Vanlalvena
10. Vacant

LOK SABHA

11. Shri Prasun Banerjee
12. Shri Raju Bista
13. Shri Rajkumar Chahar
14. Shrimati Kalaben Mohanbhai Delkar
15. Shri Rameshbhai Lavjibhai Dhaduk
16. Shri Arvind Dharmapuri
17. Dr. Nishikant Dubey
18. Shri Santosh Kumar Gangwar
19. Shri Srinivas Kesineni
20. Shri Manoj Kishorbhai Kotak
21. Shri Ajay Kumar Mandal
22. Shrimati Manjulata Mandal
23. Shri Nakul K. Nath
24. Dr. Gautham Sigamani Pon
25. Dr. Manoj Rajoria
26. Shri Nama Nageswara Rao
27. Shri Ashok Kumar Rawat
28. Shri Magunta Sreenivasulu Reddy
29. Shri Prajwal Revanna
30. Shri Gowdar Mallikarjunappa Siddeshwara
*31. Shri Arvind Ganpat Sawant

SECRETARIAT

Dr. Vandana Kumar, Additional Secretary
Smt. Kusum Sudhir, Director
Smt. Nidhi Chaturvedi, Additional Director
Shri Sandeep Pandey, Under Secretary
Ms. Kiran K., Deputy Director
Shri Raghubir Singh, Committee Officer
Ms. Lamneihoi Singsit, Assistant Committee Officer

* Nominated w.e.f. 15th December, 2022.

INTRODUCTION

I, the Chairman of the Department Related Parliamentary Standing Committee on Commerce, having been authorised by the Committee, present this One Hundred and Eighty Second Report of the Committee on 'Ecosystem of Startups to benefit India'.

2. The Committee selected the subject for detailed examination on 3rd May, 2023 and the same was notified *vide* Parliamentary Bulletin Part-II dated 12th May, 2023. As a part of examination of the subject, the Committee considered the subject in detail in its three meetings wherein it heard the views of Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry; representatives of Confederation of Indian Industry (CII); Federation of Indian Chambers of Commerce & Industry (FICCI); National Association of Software and Service Companies (NASSCOM); Bombay Shaving Company; Meesho; Blume Ventures; Huddle; Shri Tanmay Bunkar, Founder, Botlab Dynamics Private Ltd.; Shri Prateek Sharma, Founder & CEO, Nanoclean Global Pvt. Ltd.; and Prof. Anil Wali, Managing Director, Foundation for Innovation and Technology Transfer (FITT), IIT Delhi.

3. The Committee considered the draft Report and adopted the same at its meeting held on 8th August, 2023.

NEW DELHI;
8th August, 2023
Shravana 17, 1945 (Saka)

DR. ABHISHEK MANU SINGHVI
Chairman,
Department Related Parliamentary
Standing Committee on Commerce
Rajya Sabha.

ACRONYMS

AI	Artificial Intelligence
AIFs	Alternative Investment Funds
AIM	Atal Innovation Mission
API	Application Programming Interface
AR	Augmented Reality
ASCEND	Accelerating Startup Calibre and Entrepreneurial Drive
ATLs	Atal Tinkering Labs
BCT	Block Chain Technology
BFSI	Banking, Financial Services, and Insurance
BIG	Biotech Ignition Grant
BioNEST	Bioincubators Nurturing Entrepreneurship for Scaling Technologies
BIRAC	Biotechnology Industry Research Assistance Council
BIS	Bureau of Indian Standards
BRAP	Business Reforms Action Plan
CBDT	Central Board of Direct Taxes
CGPDTM	Controller General of Patents, Designs, and Trade Marks
CGS	Credit Guarantee Scheme
CGSS	Credit Guarantee Scheme for Startups
CII	Confederation of Indian Industry
CoE	Centres of Excellence
CRAMS	Contract Research & Manufacturing Services
CRS	Contract Research Scheme
CSIR	Council of Scientific & Industrial Research
CSR	Corporate Social Responsibility
DA&FW	Department of Agriculture and Farmers Welfare
DAE	Department of Atomic Energy
DBT	Department of Biotechnology
DCF	Discounted Cash Flow
DFG	Demands for Grants
DPIIT	Department for Promotion of Industry and Internal Trade
DRDO	Defence Research and Development Organisation
DST	Department of Science and Technology
E&IT	Electronics & Information Technology
EAC	Experts Advisory Committee
ECLGS	Emergency Credit Line Guarantee Scheme
EICs	Established Incubation Centres
EIR	Entrepreneurs-In-Residence
ESOPs	Employee Stock Options Plan
EYUVA	Empowering Youth for Undertaking Value Added Innovative Translational Research
FFS	Fund of Funds for Startups

FICCI	Federation of Indian Chambers of Commerce and Industry
FPI	Foreign Portfolio Investment
FPOs	Farmer Producer Organisations
FY	Financial Year
G2B	Government to Business
GeM	Government e-Marketplace
GFR	General Financial Rules
GIFT City	Gujarat International Finance Tech City
GSR	General Statutory Rules
GST	Goods and Services Tax
HEIs	Higher Education Institutions
ICAR	Indian Council of Agriculture Research
ICMR	Indian Council of Medical Research
ICT	Information and Communications Technology
iDEX	Innovations for Defence Excellence
IFSCA	International Financial Services Centres Authority
IFSCs	International Financial Services Centres
IIM	Indian Institutes of Management
IIT	Indian Institutes of Technology
IMB	Inter-Ministerial Board
IoT	Internet of Things
IP	Intellectual Property
IPRs	Intellectual Property Rights
ISMC	Incubator Seed Management Committee
ITC	Input Tax Credit
ITFD	Investment Targeting Facilitation Desk
MAARG	Mentorship, Advisory, Assistance, Resilience, and Growth
MCA	Ministry of Corporate Affairs
MeitY	Ministry of Electronics and Information Technology
MI	Member Institutions
MoFPI	Ministry of Food Processing Industries
MSH	MeitY Startup Hub
MSMEs	Micro, Small and Medium Enterprises
MVP	Minimum Viable Product
NABL	National Accreditation Board for Testing and Calibration Laboratories
NASSCOM	National Association of Software and Service Companies
NAV	Net Asset Value
NBFCs	Non-Banking Financial Companies
NFRA	National Financial Reporting Authority
NIDHI	National Initiative for Developing and Harnessing Innovations
NIDHI-TBI	NIDHI-Technology Business Incubator
NITI	National Institution for Transforming India
NSA	National Startup Awards

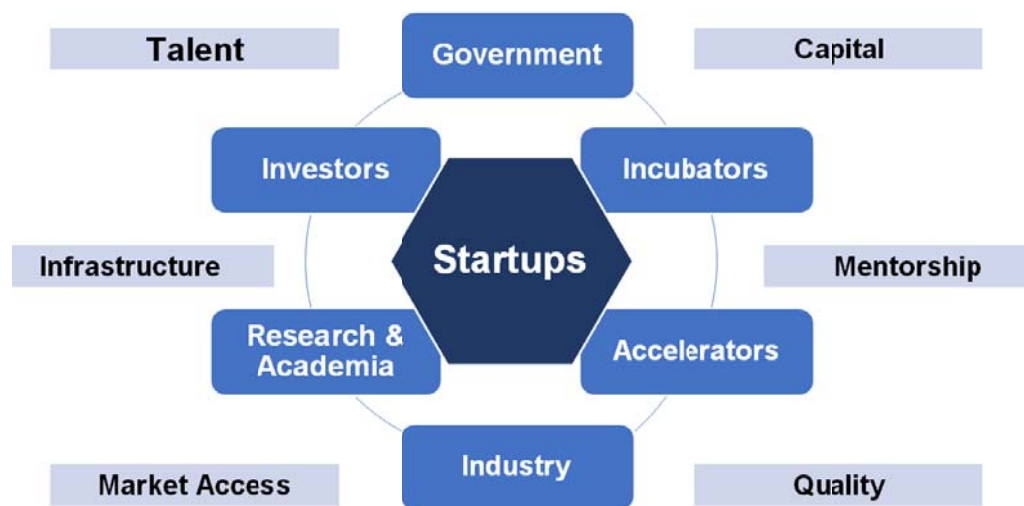
NSWS	National Single Window System
PIEs	Public Interest Entities
PLISFPI	Production Linked Incentive Scheme for Food Processing Industry
PMKSY	Pradhan Mantri Kisan SAMPADA Yojana
PoC	Proof of Concept
PRAYAS	Promoting and Accelerating Young and Aspiring Innovators and Startups
QCI	Quality Council of India
R&D	Research and Development
RAFTAAR	Remunerative Approaches for Agriculture and Allied Sector Rejuvenation
RKVY	Rashtriya Krishi Vikas Yojana
SAMRIDH	Startup Accelerator of MeitY for Product Innovation, Development and Growth
SCO	Shanghai Cooperation Organisation
SDGs	Sustainable Development Goals
SEBI	Securities and Exchange Board of India
SIDBI	Small Industries Development Bank of India
SIP-EIT	Support for International Patent Protection in Electronics & Information Technology
SIPP	Startups Intellectual Property Protection
SISFS	Startup India Seed Fund Scheme
SITARE	Students Innovations for Advancement of Research Explorations
SME	Small and Medium Enterprises
SRF	States' Startup Ranking Framework
STEM	Science, Technology, Engineering, and Mathematics
STPI	Software Technology Parks in India
STQC	Standardisation Testing and Quality Certification
T-Hub	Technology Hub
TIDE	Technology Incubation and Development of Entrepreneurs
UAE	United Arab Emirates
UK	United Kingdom
UT	Union Territory
VC	Venture Capitalist
VDFs	Venture Debt Funds
VFX	Visual Effects
VR	Virtual Reality
WEP	Women Entrepreneurship Platform
WING	Women Capacity Development Programme

REPORT

INTRODUCTION

A startup ecosystem encompasses a network of institutions, resources, and support mechanisms that foster the growth and prosperity of startups. It brings together a diverse range of stakeholders, such as entrepreneurs, investors, mentors, incubators, accelerators, Government entities, and educational institutions. These stakeholders are interconnected by key functions like talent, infrastructure, market access, capital, mentorship, and quality. Together, these components form a network that facilitates the growth and success of startups.

Startup Ecosystem



Source: DPIIT

1.2 India's startup ecosystem has witnessed unprecedented growth in recent years, transforming the country into a hub of innovation and entrepreneurship. The success of the Indian startup ecosystem can be attributed to a multitude of factors. Firstly, India's demographic dividend, with a young and vibrant workforce, has provided a strong foundation for entrepreneurial pursuits. Secondly, the country's digital revolution, fuelled by increasing internet penetration and smartphone usage has created a conducive environment for startups to thrive. Thirdly, the availability of venture capital, angel investments, and government initiatives have played a crucial role in fostering the growth of startups across sectors.

1.3 The Indian Startup ecosystem is, however, faced with many challenges that need to be systematically addressed to fully capitalise on the existing opportunities. Startups often encounter obstacles such as limited access to funding, regulatory complexities, complex taxation issues, talent acquisition, market scalability, and lack of Research and Development support, etc.

1.4 Against this background, the Department Related Parliamentary Standing Committee on Commerce has taken up the subject, 'Ecosystem of Startups to benefit India' for examination. Recognising the potential of the startup ecosystem to propel the country forward, the Committee, in its Report, aims to provide a comprehensive overview of the startup landscape, identify key issues, and propose measures to support their development.

STARTUP INDIA INITIATIVE

2.1 Startup India is a flagship initiative launched by the Government of India on 16th January 2016 to build a strong ecosystem for nurturing innovation and startups in the country which will drive economic growth and generate large-scale employment opportunities. The Government through this initiative aims to empower startups to grow through innovation and design. It is being implemented by the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce & Industry. Various programmes have been implemented under the Startup India initiative to recognise, develop, and promote startups in the country. The details of such programmes implemented under the Startup India initiative by the Government are placed in **Annexure-I**.

2.2 To meet the objectives of the initiative, the Government has launched a comprehensive Action Plan for Startup India that addresses all aspects of the Startup ecosystem. The Action Plan comprises 19 action items spanning areas such as "Simplification and handholding", "Funding support and incentives" and "Industry-academia partnership and incubation".

2.3 The Action Plan aims to accelerate the spreading of the startup movement: From the digital/ technology sector to a wide array of sectors including agriculture, manufacturing, social sector, healthcare, education, etc.; and from existing Tier 1 cities to tier 2 and tier 3 cities including semi-urban and rural areas.

Recognition of Startups

2.4 The Department for Promotion of Industry and Internal Trade (DPIIT) recognises eligible entities as 'startups' as per eligibility conditions prescribed under G.S.R. notification 127 (E) dated 19th February 2019. An entity shall be considered as a Startup:

- i. Upto a period of ten years from the date of incorporation/ registration, if it is incorporated as a private limited company (as defined in the

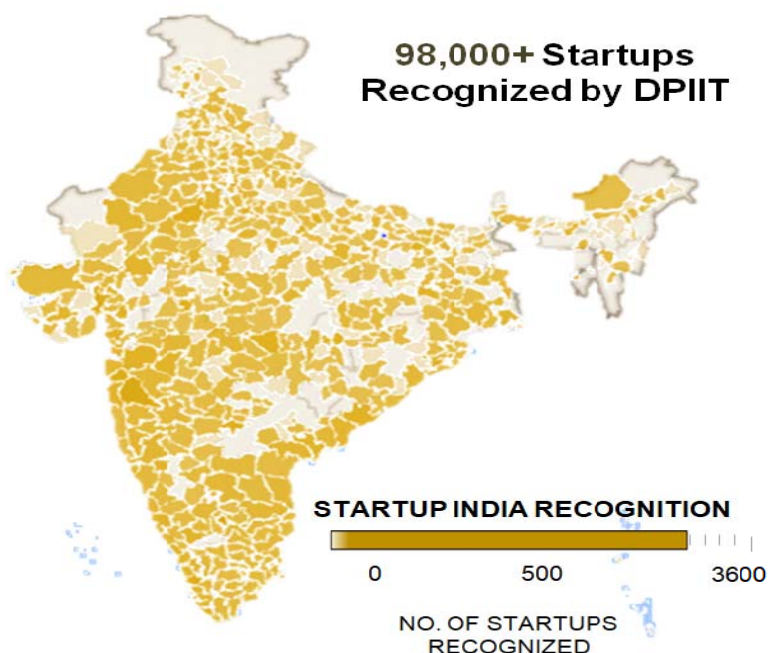
Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India.

- ii. Turnover of the entity for any of the financial years since incorporation/registration has not exceeded one hundred crore rupees.
- iii. Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

Provided that an entity formed by splitting up or reconstruction of an existing business not be considered a 'Startup'.

Number of startups

2.5 DPIIT has informed that sustained efforts under Startup India Initiative have resulted in a rise in the number of recognised startups in the country from 428 in 2016 to 98,119 in 2023 (as on 30th April 2023) with at least 1 (one) recognised startup from every State and UT spanning 669 districts. Approximately 47% of the recognised startups are from Tier 2 and 3 cities. Over 10.34 lakh direct jobs have been created by the recognised startups with an average of 11 jobs created per startup. The State-wise details of the recognised startups in the country are placed in **Annexure II**.



Unicorns

2.6 A startup is labelled as a Unicorn once it reaches the valuation of \$1 Billion. As per Invest India website of DPIIT (<https://www.investindia.gov.in/indian-unicorn-landscape>), India has emerged as the 3rd largest ecosystem for startups globally. Indian Unicorns are flourishing in the fast-paced and dynamic economy of today. These startups are not only developing innovative solutions and technologies but are generating large-scale employment.

2.7 As per the Invest India website, till Financial Year 2016-17, approximately one unicorn was being added every year. Over the past four years (since FY 2017-18), this number has been increasing exponentially, with a whopping 66% Year-on-Year growth in the number of additional unicorns being added every year. As on 31st May 2023, India is home to 108 unicorns with a total valuation of \$ 340.80 Billion. Out of the total number of unicorns, 44 unicorns with a total valuation of \$ 93.00 Billion were born in 2021 and 21 unicorns with a total valuation of \$ 27.00 Billion were born in 2022.

2.8 The Committee acknowledges the Government's efforts, which have contributed to remarkable growth of the startup ecosystem, with recognised startups increasing from 428 in 2016 to 98,119 as on 30th April 2023. India has become the 3rd largest startup ecosystem globally and is home to 108 unicorns, collectively valued at \$340.80 billion as on 31st May, 2023. While appreciating the Government's endeavours, the Committee emphasises the need to continue and sustain these initiatives to further propel the ecosystem to greater success as it has the potential to become the largest startup ecosystem in the world.

Diversification of startups across sectors

2.9 On enquiring about diversification of startups across sectors, the Department has highlighted that the Government has supported the development of startup ecosystem across different sectors. Due to persistent efforts by the Government, DPIIT-recognised startups are now spread across more than 56 diversified sectors with 12% in IT services, 9% in healthcare and life sciences, 6% in education, 5% in agriculture and 5% in food & beverages. The sector-wise details of recognised startups is given at **Annexure-III**.

2.10 The Department has also informed that various line ministries and departments have taken steps to promote startups in non-tech and social sectors such as food, agriculture, and environment. Biotechnology Industry Research Assistance Council (BIRAC) has created a strong ecosystem and support mechanism across the country to facilitate startups and entrepreneurs in the biotech sector including healthcare (medical devices, diagnostics, biopharma, vaccines, gene therapy, others), Agritech solutions, Nutrition and Food security, Clean energy and Environment, Enzymes and Biofuels etc; the Ministry of Food Processing Industries (MoFPI) has established a special Investment Targeting

Facilitation Desk (ITFD) to assist entrepreneurs, including startups, interested in investing in the food processing sector; and the Ministry of Education has supported 75 ideas in different themes having startup potential from various editions of Smart India Hackathon and National Innovation Contest.

2.11 The Government has operationalised 42 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. 500+ startups supported, 130+ startups raised funding more than Rs. 70 crore, 100+ patents filed and 15+ challenges organised under this scheme. The domain specific CoEs are mainly executed to operate in deep-tech areas covering FinTech, EdTech, MedTech AgriTech, Blockchain, IoT, AI/ML, AR/VR, Gaming/ VFX etc.

2.12 The Committee notes that the largest segment in the Indian startup ecosystem is dedicated to IT Services. The Committee also acknowledges the Government's efforts to support startups in non-tech and social sectors. The Committee recommends that effective implementation of these measures must be ensured for holistic growth of startups across diverse sectors in the country.

Agri startups

2.13 India is primarily an agricultural country as majority of the population is still engaged in agricultural activities. The emergence of startups focusing on the agriculture sector has the potential to be a significant game-changer for the country.

2.14 The Committee was informed that the Department of Agriculture and Farmers Welfare has launched “Innovation and Agri-entrepreneur development” programme under the Rashtriya Krishi Vikas Yojana-Remunerative Approaches for Agriculture and Allied Sector Rejuvenation (RKVY-RAFTAAR) scheme under which projects in various fields of agriculture and allied sectors like Agro-processing, Food Technology and Value Addition, Artificial Intelligence (AI), Internet of Things (IoT), Information & Communication Technology (ICT), Block Chain Technology (BCT), precision farming and Digital agriculture, and Block Chain technology among others are being taken up by startups. Under RKVY, almost 1,176 agri-startups working in agriculture & allied sector have been supported (i.e., 58 in 2019-20, 588 in 2020-21, 277 in 2021- 22 and 253 in 2022-23) with financial assistance of Rs. 75.25 crore.

2.15 Focus area-wise agri-startups supported under RKVY are given below:

Focus Area	Total startups supported
Farm Mechanization	155
Precision Agriculture including applications of sensor, WSN, ICT, AI, IoT & drone	177
Post-Harvest, Food Technology & Value addition	359
Supply Chain and Agriculture logistics & agriculture inputs	163
Waste to Wealth & Green Energy in Agriculture & Organic Farming	134
Agriculture Allied Sector (Animal Husbandry, Dairy, Fisheries, etc.)	188
Total	1176

2.16 The Committee is of the view that, given that India is primarily an agricultural country, the emergence of startups focusing on the agriculture sector has the potential to be a significant game-changer for the nation. The Committee acknowledges the government's initiatives to support agri-based startups but expresses concern about the low representation of such startups in the overall startup ecosystem.

2.17 The Committee observes that out of the total 98,119 recognised startups in the country, only 5,088 startups (5.18%) are in the Agriculture sector. The Committee recommends that additional efforts should be made to expand the presence of agri-based startups by providing them with increased funding opportunities and support through guidance and mentorship.

2.18 The Committee suggests that efforts may also be made to encourage the adoption of advanced technologies, such as Internet of Things (IoT), data analytics, artificial intelligence, and remote sensing to improve productivity, optimise resource utilisation, and enhance decision-making in agriculture. This can be achieved through collaborations with technology providers, incubators, and research institutions.

Representation of Women in the Startup Ecosystem

2.19 The importance of women-led startups cannot be overstated, as they bring unique perspectives, innovative ideas, and diverse skill sets to the entrepreneurial landscape. The presence of women as entrepreneurs will lead to significant business, economic growth and employment in the country. Women-

owned business enterprises play a prominent role in society by generating employment opportunities in the country, bringing in demographic shifts and inspiring the next generation of women founders.

2.20 The Committee notes that Startup India is working towards strengthening women entrepreneurship in India through initiatives, schemes, creation of enabling networks and communities and activating partnerships among diverse stakeholders in the startup ecosystem, with a vision to promote the sustainable development of women entrepreneurs for balanced growth in the country.

2.21 The Department informed the Committee about the various measures (**Annexure -IV**) being taken by the Government to promote women entrepreneurship across the country. The Committee was further informed that out of 98,119 entities being recognised as startups in the country, approximately 47% of these recognised startups have at least one woman director.

2.22 The Committee acknowledges the Government's efforts in supporting women-led start-ups and notes that approximately 47% of recognized startups in the country have at least one woman director out of 98,119 entities recognized as startups. However, during the deliberations with stakeholders, the Committee was apprised of the low representation of women in decision-making and management roles such as CEOs or partners. The Committee firmly feels that greater involvement of women in the startup ecosystem is vital for the economic development of the nation and more can be done to boost women's participation in the startup ecosystem.

2.23 The Committee recommends the Department to adopt a multi-pronged approach to encourage, support and elevate women leadership roles in the startup framework. Strategies such as encouraging venture capital firms to invest in businesses initiated by women entrepreneurs; setting targets for financial assistance to support women-led startups; offering incentives to organisations that back and invest in women entrepreneurs; awareness campaigns and workshops to foster a culture of equality; mentorship programmes and incubation support specifically designed for women entrepreneurs; encouraging industry-wide collaboration and knowledge sharing on diversity and inclusion of best practices can create a supportive ecosystem; establishing women entrepreneurs-focused funds and investment programmes to ensure uninterrupted access to capital; Skill development programmes and training tailored to the needs of women entrepreneurs; etc. need to be implemented. The Department should create a mechanism to collect and analyse data on women entrepreneurs and women participation for informed decision-making and implementation of such targeted programmes.

Participation of Tier-II & Tier-III cities

2.24 The Committee was informed by the Department that approximately 47% of the recognised startups are from Tier 2 and 3 cities. The Committee was further informed that since the launch of the Startup India Initiative, the Government has implemented various programmes on a pan-India basis to address the challenges faced by entrepreneurs and has made an active effort towards decentralising the initiative in reaching startups beyond major districts. Sustained efforts in this direction have resulted in programmes being rolled out to address challenges such as funding, mentoring, outreach, market access, etc., especially in Tier 2 and 3 cities.

2.25 The flagship funding schemes namely, Fund of Funds for Startups (FFS), Startup India Seed Fund Scheme (SISFS) and Credit Guarantee Scheme for Startups (CGSS) support startups across the country at various stages of their business cycle.

2.26 A major objective of the Startup India Yatra is to reach Tier 2 and 3 cities of India to search for entrepreneurial talent and to help develop the ecosystem around them. Entrepreneurs are scouted from non-metropolitan cities and provided with a platform to pursue their aspirations through incubation and mentorship from renowned institutions and fulfill the need for such resources in their region.

2.27 Under the National Startup Awards (NSA), recognition and support is provided to startups emerging from both metro cities and beyond major districts. NSA, 2022 included 'Impact in Rural Areas' and 'Startups from North-East and Hilly States and UTs' as part of its 20 categories. Across the editions, winners and finalists have emerged from cities such as Kangra in Himachal Pradesh, Pauri in Uttarakhand, Kamrup in Assam, Faridabad in Haryana among many others.

2.28 Under ASCEND (Accelerating Startup Caliber and Entrepreneurial Drive), sensitisation workshops on startups and entrepreneurship were conducted for all eight North Eastern States towards creating a robust startup ecosystem in these States.

2.29 The Committee commends the government's endeavours to decentralise and extend the startup ecosystem beyond major districts. However, it emphasises the importance of further expanding this outreach to include all Tier 2 and Tier 3 cities that currently lack active participation in the startup sector. The Committee is of the view that expanding startups to these regions would foster inclusive economic growth, create employment opportunities for local talent, utilisation of untapped skills, promote cost-effective operations, encourage sustainable development, drive localized innovation, diversify the economy, and enhance infrastructure for the benefit of local communities and the nation

as a whole. The Committee, therefore, recommends the Department to identify underperforming Tier 2 and Tier 3 cities, along with other rural areas.

2.30 The Committee also recommends the Department to initiate an outreach campaign to encourage startup initiatives in Tier 2 and Tier 3 cities. The Department should implement measures encompassing easier access to funding and mentorship networks, tax benefits, subsidies, infrastructure development, enhanced internet connectivity and regulatory reforms.

2.31 The Committee further recommends the Department to launch publicity campaigns in Tier 2 and Tier 3 cities to raise awareness about the policy initiatives aimed at promoting startups. These campaigns will play a crucial role in informing potential entrepreneurs in these regions about the available support and opportunities, encouraging them to utilise the available support and opportunities for startup development.

Capacity building of States/UTs

2.32 The Committee was informed that promoting and handholding States and UTs was the key to taking the startup movement across the country. On enquiry, the Department informed the States' Startup Ranking Framework ('SRF') has been launched in 2018 to decentralise programme execution by empowering and promoting States and UTs and to promote cooperative federalism. The exercise identifies good practices, fosters mutual learning amongst States and UTs and develops momentum across States and UTs to build a favourable policy landscape for startup ecosystems.

2.33 The Committee was apprised that the ranking frameworks over the years have evolved, become more inclusive with majority of the States and UTs participating in it. SRF is not just about categorisation of States and UTs, but it is also complemented with year-round capacity building exercise in the form of international, national, and regional knowledge exchange programmes for policy makers and administrators to gain from global and national good practices. The 4th edition of the SRF is currently underway. The detailed assessment parameters for the SRF ranking are placed at **Annexure V**.

2.34 The Committee was further informed that SRF has spurred States and UTs to frame policies and incentives for the startup ecosystem. Before SRF, only about half a dozen States and UTs had dedicated startup policies. Post SRF, a total of about 31 States and UTs have dedicated startup policies. It has promoted States and UTs to provide greater incubation support, funding to startups, create awareness of programmes amongst many other things on policy making and execution sides.

2.35 As part of the SRF exercise, States and UTs are categorised under 5 categories including Best Performers, Top Performers, Leaders, Aspiring Leaders, Emerging Startup Ecosystems.

2.36 Based on the performance of the States and UTs on the reform areas, SRF ranking of States for 2018-2021 are as under:

Rank	2018	2019	2021
Best Performers	1. Gujarat	1. Gujarat 2. Andaman and Nicobar Islands	1. Gujarat 2. Karnataka 3. Meghalaya
Top Performers	1. Karnataka 2. Kerala 3. Odisha 4. Rajasthan	1. Karnataka 2. Kerala	1. Kerala 2. Maharashtra 3. Odisha 4. Telangana 5. Jammu and Kashmir
Leaders	1. Andhra Pradesh 2. Bihar 3. Chhattisgarh 4. Madhya Pradesh 5. Telangana	1. Bihar 2. Chandigarh 3. Maharashtra 4. Odisha 5. Rajasthan	1. Assam 2. Punjab 3. Tamil Nadu 4. Uttar Pradesh 5. Uttarakhand 6. Arunachal Pradesh 7. Andaman and Nicobar Islands 8. Goa
Aspiring Leaders	1. Haryana 2. Himachal Pradesh 3. Jharkhand 4. Uttar Pradesh 5. West Bengal	1. Haryana 2. Jharkhand 3. Punjab 4. Telangana 5. Uttarakhand 6. Nagaland	1. Delhi 2. Chhattisgarh 3. Madhya Pradesh 4. Rajasthan 5. Chandigarh 6. Dadar and Nagar Haveli and Daman and Diu 7. Himachal Pradesh 8. Manipur 9. Nagaland 10. Puducherry 11. Tripura
Emerging Startup Ecosystems	1. Assam 2. Delhi 3. Goa 4. Jammu & Kashmir 5. Maharashtra 6. Punjab 7. Tamil Nadu 8. Uttarakhand	1. Andhra Pradesh 2. Assam 3. Chhattisgarh 4. Delhi 5. Himachal Pradesh 6. Madhya Pradesh 7. Tamil Nadu 8. Uttar Pradesh 9. Mizoram 10. Sikkim	1. Andhra Pradesh 2. Bihar 3. Ladakh 4. Mizoram
Beginners	1. Chandigarh 2. Manipur 3. Mizoram		

Rank	2018	2019	2021
	4. Nagaland 5. Puducherry 6. Sikkim 7. Tripura		

2.37 The Committee applauds the Department for its proactive approach in evaluating the States' engagement in the Startup ecosystem through the utilisation of the States Ranking Framework (SRF Rankings). The Committee recommends that the States showing exemplary performance should periodically share their experiences with other States. The Committee further recommends that the Government should facilitate discussions among States including high-performing and under-performing States to make necessary regulatory adjustments and promote the growth of startups on a broader scale.

ACCESS TO FUNDING

3.1 Startups require capital support across various stages of their business cycle to operate and grow. Government schemes are an important source of funding for startups. In addition, startups also get funding from banks, and financial institutions as well as from other sources like venture capitals, angel investors, etc.

Government schemes

3.2 The Department for Promotion of Industry and Internal Trade (DPIIT) has informed the Committee that it has launched multiple flagship schemes and programmes such as Startup India Seed Fund Scheme (SISFS), Fund of Funds for Startups (FFS), Credit Guarantee Scheme for Startups (CGSS) and Startup India Investor Connect, among others to facilitate capital for startups across different stages of their business and enable them to raise private investments. Other Ministries/Departments have also launched schemes for funding startups. The details of schemes launched for funding startups are as under:

- (i) **The Startup India Seed Fund Scheme (SISFS)** has been approved for 4 years starting from 2021-22 with a corpus of Rs. 945 crore to encourage private capital for the early/seed stage of startups. SISFS aims to provide financial assistance to DPIIT recognised startups for proof of concept, prototype development, product trials, market-entry, and commercialisation to enable these startups to graduate to a level where they can raise investments from angel investors or venture capitalists or seek loans from commercial banks or financial institutions. Under the Scheme, funds are disbursed to eligible startups through eligible incubators across India. As on 30th April,

2023, Rs.611.36 crore has been approved to 160 incubators under SISFS.

- (ii) **The Fund of Funds for Startups Scheme (FFS)** was approved and established with a corpus of Rs. 10,000 crore to provide funding support to startups by enabling access to domestic capital through mobilising larger equity-like resources. As per its operational guidelines, FFS does not invest directly in startups but instead participates in the capital of Alternative Investment Funds (AIFs). FFS contributes to the corpus of AIFs for investing in equity and equity-linked instruments of various early stage, seed stage, and growth stage startups. AIFs supported under FFS are required to invest at least 2 times the amount committed under FFS in startups. As on 30th April, 2023, Rs.9,121 crore has been committed to 114 AIFs, by SIDBI under FFS. The Alternative Investment Funds (AIFs) supported under FFS have invested Rs.16047 crore in 860 startups.
- (iii) **Credit Guarantee Scheme for Startups (CGSS)** has been established for providing credit guarantees to loans extended by Scheduled Commercial Banks, Non-Banking Financial Companies and Securities and Exchange Board of India (SEBI) registered Alternative Investment Funds (AIFs). The Scheme is implemented by the National Credit Guarantee Trustee Company Limited (NCGTC). The selection of beneficiaries and monitoring of their performance under the Scheme is as per the Scheme guidelines with liberty for lending institutions to have independent risk assessment mechanisms and due diligence processes under the relevant provisions and safeguards put in place by various regulatory bodies.
- (iv) **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 to help entrepreneurs from various industries, functions, stages, regions, and backgrounds in mobilising capital. The portal has been built to enable early-stage startups, in particular, located anywhere in the country to showcase themselves to leading investors/ venture capital funds.
- (v) **National Initiative for Developing and Harnessing Innovations (NIDHI):** Department of Science and Technology (DST) launched an umbrella programme called National Initiative for Developing and Harnessing Innovations (NIDHI) in the year 2016 for nurturing ideas and innovations (knowledge-based and technology-driven) into successful startups. Under NIDHI, different programmes range from

providing fellowships to the students opting for entrepreneurship through Entrepreneurs-In-Residence (EIR) Program, Promoting and Accelerating Young and Aspiring Innovators and Startups (PRAYAS) programme by providing financial support for converting ideas into prototypes, availability of early stage Seed support to incubated ventures, providing mentoring and investment readiness support through Accelerators and creating Centres of Excellence (CoE) in incubation.

- (vi) To promote innovations in the biotechnology sector, the Department of Biotechnology, through Biotechnology Industry Research Assistance Council (BIRAC), supports and nurtures startups in the Biotechnology sector. The major programmes are the BioNEST Scheme (Bio incubators Nurturing Entrepreneurship for Scaling Technologies), Biotechnology Ignition Grant (BIG) scheme, Sustainable Entrepreneurship and Enterprise Development (SEED) Fund, Launching Entrepreneurial Driven Affordable Products (LEAP) Fund, AcE Fund of Funds, BioAngels and Innovation Challenge-SoCH (Solutions for Community Health).
- (vii) **Remunerative Approaches for Agriculture and Allied Sector Rejuvenation (RAFTAAR):** To promote innovation and agripreneurship by providing financial support and nurturing the incubation ecosystem, Department of Agriculture and Farmers Welfare under the Rashtriya Krishi Vikas Yojana- Remunerative Approaches for Agriculture and Allied Sector Rejuvenation (RKVY-RAFTAAR) scheme has launched “Innovation and Agri-entrepreneur development” programme, as a component. Startups under the programme are taking up projects in various fields of agriculture and allied sectors like Agro-processing, Food Technology and Value Addition, Artificial Intelligence (AI), Internet of Things (IoT), Information and Communication Technology (ICT), Block Chain Technology (BCT), precision farming and Digital agriculture, and Block Chain technology among others.
- (viii) **Innovations for Defence Excellence (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, R&D institutes, and academia and providing them grants to carry out R&D. The startups receive up to Rs 1.50 crore as a grant for the development of innovative prototypes. They also receive notable support from iDEX’s partner Incubators at IITs, IIMs, and other private incubators spread all over the country.

- (ix) To support early / ideation / pre-seed / seed stage startups, SIDBI has initiated a programme for engagement with incubators/ accelerators. The objective of the programme is to support the developmental and funding ecosystem for ideation/ early-stage startups through a complement of initiatives in partnership with leading incubators. A unique component of the framework is the provision of a seed fund/corpus to incubators for seed stage equity/equity like support to their incubatee startups.
- (x) **MeitY Startup Hub (MSH)** has executed several accelerator programmes in collaboration with large industries/ corporates wherein startups are trained and up-skilled and then these startups get a chance to pitch to the investors. The immersive sessions make it easier for them to raise fundings from investors. In addition, MeitY has launched SAMRIDH Scheme to support accelerators to select and accelerate potential IT-based startups to scale to solve India's technological challenges and hence create a positive social impact. The SAMRIDH scheme provides support to selected accelerators for extending accelerator services to startups along with one-to-one matching funding support.

Banks/ Financial Institutions

3.3 DPIIT has informed that financial and other parameters of startups which are generally looked at for debt funding by commercial banks and financial institutions are different from other enterprises. For instance, most startups are not profitable and may not be generating adequate cash flows from operations for debt service. The business models are generally new/untested/evolving, and usually, collateral security is not available. Given this background, in the past, lending to startups has primarily been in the form of "Venture Debt" from Alternative Investment Funds (AIFs) providing venture debt. To cover instances or probability of defaults of repayment of loan by the borrowers, the banks as per their risk assessment, insist on collateral security against the loan extended by them.

3.4 To provide appropriate risk cover and comfort to financial institutions including banks for enabling collateral-free lending to MSMEs and startups, the Government is implementing Schemes such as Credit Guarantee Scheme (CGS) for Micro and Small Enterprises, Emergency Credit Line Guarantee Scheme (ECLGS), and Credit Guarantee Scheme for Startups (CGSS). Under these Schemes, the Government provides guarantees to Member Lending Institutions, including Banks in respect of the credit facility by them to the eligible borrowers encouraging banks and other financial institutions to provide collateral-free funding to MSMEs and startups.

3.5 Under the Credit Guarantee Scheme for Startups, credit guarantees are provided for loans given to DPIIT-recognised startups by Scheduled Commercial Banks, Non-Banking Financial Companies (NBFCs), and Venture Debt Funds (VDFs) under SEBI registered Alternative Investment Funds.

3.6 In addition, several other initiatives have been undertaken by the Government to encourage conventional and mainstream lending institutions such as banks and financial institutions to offer funding to startups:

- i. Bank finance to startups (up to Rs. 50 crore) was included as a category eligible for finance under “Priority Sector” lending by the Reserve Bank of India in September 2020. This has given impetus/encouragement for banks to lend in this segment.
- ii. Banks are also offering treasury products for liquidity management and efficient fund management of startups.
- iii. Startups are also being supported by banks by way of investments through Alternative Investment Funds (AIFs) in the form of equity, debt, and mezzanine instruments. To a more limited extent, direct investments have also been made selectively in startups with strategic intent or to encourage innovations mostly in the fintech space.

3.7 Despite the availability of several support schemes for startups, stakeholders have informed the Committee that insufficient funding continues to be a major contributing factor to the failure of startups in India. The stakeholders also emphasised that sectors like Deep-Tech Start-up Ecosystem have the potential to make significant contributions to areas such as healthcare, food, supply chain, logistics, and social impact, provided they are guided in the right direction. However, due to the high level of engineering innovation and research expenditure involved in these sectors, the currently available funding falls short of meeting the cost of their operations.

3.8 The Committee acknowledges the Government's initiatives in providing funding for startups. However, given the feedback submitted by the stakeholders, the Committee recommends that the Department conducts an assessment to identify areas that require additional funding. Appropriate enhancements to the funds may be made to ensure seamless functioning of sectors requiring significant capital such as deep-tech, etc. The Committee further recommends that the Department ensures the availability and timely release of funds and facilitates quicker access to Government grants. The Committee notes that investment in startups are cyclical in nature, which undergo market corrections from time to time depending on various circumstances such as global macroeconomic situation, investor sentiments, monetary policies, etc. The Committee feels that there is a need for creating a pool of additional funds which can help

good startups to survive such funding winter i.e. the periods where startups find it difficult to raise funding.

Monitoring of funding

3.9 On being asked about the mechanism to monitor the sources of funding for startups to ensure accountability and transparency, DPIIT has informed that the Startup India Initiative has robust mechanisms in place to constantly monitor schemes such as the Startup India Seed Fund Scheme (SISFS), Fund of Funds for Startups (FFS) and Credit Guarantee Scheme for Startups (CGSS) which provide capital support to recognised startups.

3.10 Under SISFS, an Experts Advisory Committee (EAC) is responsible for the overall execution and monitoring of SISFS. The EAC evaluates and selects incubators for the allocation of funds under the Scheme. Each selected incubator has an Incubator Seed Management Committee (ISMC), consisting of experts who evaluate and select startups based on certain parameters outlined in Scheme guidelines.

3.11 The Fund of Funds for Startups (FFS) Scheme provides capital to SEBI-registered Alternative Investment Funds (AIFs), The AIFs supported under FFS are monitored by SIDBI. Additionally, a detailed annual report on the utilisation of the funds such as details about the AIFs invested, details of companies invested in by AIFs, NAV of investments, etc. in respect of each financial year ending March 31st are submitted to DPIIT. The operations and performance of the FFS are also reviewed quarterly.

3.12 The selection of beneficiaries and monitoring of their performance under the Credit Guarantee Scheme for Startups (CGSS) are in accordance with Scheme guidelines with liberty for lending institutions to have independent risk assessment mechanisms and due diligence processes under the relevant provisions and safeguards put in place by various regulatory bodies.

3.13 The Department further informed the Committee that funding of startups from multiple private sources such as venture capitalists, angel investors, and seed funds is currently not monitored by the Government. Private investors are expected to do their due diligence and follow the guidelines and processes laid down by the relevant authorities while investing in startups. Under the aegis of the independent audit and accounting authority, the National Financial Reporting Authority (NFRA), the quality of all corporate financial reporting in India is continuously improving. NFRA is striving for continuous improvement of corporate financial reporting across all types of Public Interest Entities (PIEs) and all size categories of audit firms, and the quality of corporate financial reporting is measured and evaluated essentially by its compliance with the law and the statutorily notified accounting standards and auditing standards.

3.14 The Committee, while appreciating the efforts of the National Financial Reporting Authority (NFRA) in enhancing the standard of corporate financial reporting, expresses concern at the lack of a government-supported mechanism to monitor the funds received by startups from private investors. The Committee is of the view that Indian startups must comply with the regulatory legal and tax framework to prevent complications and mitigate risks. Startups may be encouraged to adopt best accounting practices to become successful and responsible entities.

MARKET ACCESS

Access to International Markets

4.1 To ensure the exponential growth of startups, they must possess sufficient access to both domestic and international markets. DPIIT has apprised that, under the Startup India initiative, the Indian startup ecosystem is being helped to connect with global startup ecosystems through various engagement models. This is being done through international Government to Government partnerships, participation in international forums, hosting of global events such as Startup India International Summit, Global Venture Capital Summit, and bilateral and multilateral engagements. The details of such efforts made by the Government are as under:

- (i) **International Startup Bridges:** Startup India has launched bridges with over 17 countries, which act as a soft-landing platform for startups from the partner nations and aid in promoting cross-collaboration. These bridges serve as a one-stop platform where information regarding the startup ecosystem in India and the partner country is made accessible to entrepreneurs and stakeholders from both countries. Startup bridges have been formed with countries including Italy, Switzerland, Qatar, UAE, Canada, Croatia, Finland, Brazil, UK, Russia, South Korea, Japan, Portugal, Netherlands, Sweden, Israel, and Singapore.
- (ii) **Startup20** is the first of its kind official engagement group initiated under India's G20 presidency in 2023. 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 collaboration between startups, corporates, investors, innovation agencies, and other key ecosystem stakeholders internationally and to create global synergies.
- (iii) **Shanghai Cooperation Organisation Startup Forum:** The DPIIT organised the first-ever Shanghai Cooperation Organisation (SCO) Startup Forum in 2020 to enhance startup cooperation among SCO

members and foster innovation. In the second edition of the Forum, the SCO Startup Hub was created, a single point of contact for the SCO startup ecosystem that provides insights into the startup ecosystems of the Member States. The latest edition organised in 2023 was the first ever physical forum, further strengthening bilateral and multilateral cooperation. The forum witnessed participants including a delegation of government officials, private industry players, incubators, and startups.

- (iv) The Startup India Initiative has further facilitated the participation of startups in international forums such as Expo 2020, Dubai, Vivatech, SLUSH and hosted global events such as the Startup India International Summit and the Global Venture Capital Summit.

4.2 To establish a global outreach for Indian startups, the stakeholders have, in their submission to the Committee, suggested bilateral agreements and trade missions between countries to open doors for startups to explore new markets; to provide regulatory support, such as streamlined customs procedures and simplified market entry requirements to ease processes for startups; establishing dedicated international incubation centers or accelerators to provide startups with the necessary support to expand into new markets; holding networking events and participation in global startup conferences to facilitate connections and collaborations on an international scale; and providing support for cultural understanding.

4.3 International exposure to startups on various platforms and enhancing their global outreach is crucial to the development of startups. The Committee appreciates the measures taken in this regard and recommends that efforts may be made to facilitate more startups to participate at the international level. The Committee further recommends for creation of startup cells/ desks at Indian embassies to facilitate Indian startups in getting access to overseas markets.

Public Procurement

4.4 Public procurement refers to the process by which governments and state-owned enterprises purchase goods and services from the private sector. The Committee notes that on one hand, public procurement can present useful opportunities for startups that have not yet been able to gain traction in the private sector, and on the other opening up government procurement to startups can improve the choices available to government bodies since startups are often more agile than corporate vendors and can provide cheaper, more innovative products and services.

The Committee appreciates that the Government has been working on easing public procurement from startups to embrace innovation in public service

delivery. It notes that the Government has extended certain relaxations in public procurement to eligible recognised startups which are summarised as under:

- i. Amendment in GFR 2017 Rule 170 (I): exemption from submission of Earnest Money Deposit /Bid Security in public procurement tenders.
- ii. Amendment in GFR Rule 173 (I): relaxation of conditions of prior turnover and prior experience in all Government tender requests.

4.5 The Committee was apprised that DPIIT- recognised startups can register on the Government e-Marketplace (GeM), a widely used online procurement platform for government ministries and departments, as sellers and sell their products and services directly to government entities. On the GeM platform, DPIIT recognised startups are extended with the benefits applicable for eligible startups as per GFR norms in public procurement. The Startup India database (www.startupindia.gov.in) is linked with GeM through a web service that can validate the startup’s recognition status on a real-time basis.

GeM Startup Runway

4.6 The Committee was further apprised that GeM has also developed GeM Startup Runway, which is a dedicated marketplace category exclusively for startups. Startups on GeM Startup Runway can list multiple products and services with minimal technical specifications under 14 globally recognised startup segments. The exclusive marketplace also enables brand and Intellectual Property (IP) protection for startups. The collaborative efforts of the DPIIT and GeM are enabling the digital execution of the relaxed procurement norms and regulations introduced for recognised startups in public procurement.

4.7 The year-wise cumulative performance of recognised startups on GeM since 2016 is as under:

Fiscal year	Count of Transacting Startup	Order Volume	Order Value (crore)
FY-16-17	11	84	2.13
FY-17-18	182	5,903	108.74
FY-18-19	516	14,436	486.16
FY-19-20	803	25,747	848.96
FY-20-21	1,446	37,367	1,918.50
FY-21-22	2,312	50,672	3,747.85
FY-22-23	3,249	66,303	6,127.46
FY-23-24	1,950	13,529	500.46

TOTAL	10,469	2,14,041	13,740.27
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Source: DPIIT

4.8 The Committee, in its interaction with stakeholders, was apprised that most of the entrepreneurs do not have adequate visibility on how startups have benefitted from the public procurement relaxations. The stakeholders highlighted that startups encounter challenges in listing their products on government channels, including defence, paramilitary, and police canteen stores. They also informed that the limited availability of information has hampered the ability of startups to list their products effectively on these platforms.

4.9 The Committee observes that public procurement platforms can play a significant role in promoting and encouraging startups in the country. The Committee notes that about 10% of the DPIIT Startups have found space in the GeM portal and have transacted business to the tune of Rs. 14,000 crore in the last 8 financial years. The Committee recommends it must be ensured that the startups are made aware of the public procurement initiatives and handhold them to avail the initiatives to the maximum extent. The Committee further recommends that periodic review of the procurement framework for startups may be held and startups may also be involved in the review process to have better clarity of the gaps in the framework and to plug them appropriately. Procurement data from startups (Ministry-wise, Centre, and State level and also Sector-wise) should be published regularly and the data should be readily available in the public domain to ensure the startups/entrepreneurs are aware of the market opportunities being created in the country for startups.

4.10 The Ministries/Departments having Canteen Stores may be persuaded to enable startups to list their products in the stores and the information of the process of listing in these Stores may be made easily available and accessible to the startups. The Committee feels that large private companies may also be persuaded to purchase products and services from startups which will further widen the business scope of startups. To facilitate this, the GeM portal may be opened up for the private sector to procure goods and services.

REGULATORY SUPPORT

5.1 One of the primary hurdles encountered by Indian startups revolves around regulatory concerns. These issues encompass time-consuming registration processes, delays, and burdensome requirements. While the Government has taken steps to streamline its regulatory processes, considerable work remains to be done in this area.

Registration of startups

5.2 The Committee was informed by the Department that as per eligibility conditions prescribed under G.S.R. notification 127 (E) dated 19th February 2019, entities are recognised as startups under the Startup India initiative by the DPIIT.

5.3 The Committee was apprised that complete recognition process is simplified, online, and faceless. The requirement of relevant proof of documents for ascertaining fulfillment of the above-mentioned criteria is also simplified by way of API integrations built-in the Startup India portal (www.startupindia.gov.in) with other government portals such as MCA and GeM and through permissibility of furnishing self-certified documents. Even, many State Governments and UTs have also integrated their respective startup portals with Startup India through API integration.

5.4 On being asked if there are unrecognised startups in the country, the Department informed the Committee that there may be some startups not recognised by them, however, the official data of the number of such unrecognised startups is not maintained by the Government.

5.5 The Committee recommends the creation of a comprehensive database of all startups in the country to effectively ascertain the total number of startups and maintain a holistic record of their presence. This can be done by further simplifying the registration process and eliminating an extensive list of eligibility criteria to get registered at DPIIT. Startups not meeting the eligibility criteria for startup recognition by DPIIT may also be encouraged to register.

Reducing Regulatory Compliance Burden

5.6 The Committee was informed that the Government has been making concerted efforts to simplify processes and to reduce the compliance burden on businesses including startups. To this end, DPIIT is spearheading multiple initiatives under Ease of Doing Business and Reducing Compliance Burden to create a conducive business environment. The key benefits of such initiatives include:

- i. Simplification of procedures related to applications, renewals, inspections, filing records, etc.
- ii. Rationalisation by repealing, amending or subsuming redundant laws
- iii. Digitisation by creating online interfaces eliminating manual forms and records
- iv. Decriminalisation of minor technical or procedural defaults.

5.7 Specifically for the startup ecosystem, the Government has taken various regulatory reforms to enhance the ease of doing business, raising capital, and reducing compliance burden. In this regard, a list of the 57 key regulatory reforms undertaken by the Government for the startup ecosystem is placed in **Annexure - VI**.

5.8 To further promote ease of doing business in all parts of the country, DPIIT commenced a dynamic reform exercise called Business Reforms Action Plan (BRAP) in 2015, which assesses all the States and UTs in the country based on the implementation of some reform parameters. Furthermore, the Government has also unveiled National Single Window System (NSWS) to provide a single platform to enable the identification and obtaining of approvals and clearances needed by investors, entrepreneurs, and businesses in India. NSWS is providing a single interface to apply for all Government to Business (G2B) clearances from various Ministries/Departments as well as eliminating duplication of work by auto-populating form fields across different approvals based on a single investor profile.

5.9 The Committee appreciates the extensive steps taken by the Department taken to reduce the compliance burden of the startups. The Committee opines that this exercise should be continued to remove the obstacles and further reduce the compliance burden faced by startups.

Direct Overseas Listing

5.10 Indian startups require the opportunity to access substantial capital sources to establish businesses that can operate globally. To achieve this, startups are requesting an option to directly list on foreign stock exchanges without being obligated to list in India first. This choice allows them to optimise their business models and go-to-market strategies effectively.

5.11 The Committee was informed by stakeholders that, at present, India's legal and regulatory framework prohibits the listing of unlisted Indian companies directly on foreign stock exchanges though The Companies Act, 2013 was amended in 2020 to allow such listing. The implementation framework required to facilitate such listing such as amendments in the Foreign Exchange Management Act, Income Tax Act, SEBI regulations, and other related rules has not yet been put in place.

5.12 On enquiring about the benefits and challenges of allowing direct listing of Indian domiciled startups, the Department informed that the Government has been examining the implications of allowing the direct overseas listing of Indian companies in consultation with relevant stakeholders and industry leaders. SEBI has informed that direct listing in international jurisdictions is advocated on the basis that it would provide Indian companies access to better valuation, and opportunities. The Government's sustained efforts have led to the creation of an

attractive environment for companies to conduct business and raise capital in India and in recent years, several Indian companies, including startups have accessed Indian capital market for fund raising with large listings with phenomenal results. Further, the Foreign Portfolio Investment (FPI) investor base in the Indian Securities Market has also grown significantly during the last three years, increasing opportunities for Indian startups.

Re-Domiciling of Foreign Domiciled Startups (Reverse Flipping)

5.13 The Committee was informed by stakeholders that many startups have chosen to establish or move their headquarters outside India due to factors like ease of doing business, taxation, and attracting foreign investors. The Economic Survey 2022-23 had highlighted that this "flipping" trend occurs early in a startup's lifecycle and is driven by the commercial and personal preferences of founders and investors. The reasons for flipping include easier access to overseas debt, avoiding stringent exchange control regulations, eliminating the risk of angel tax, better IP protection, and reduced compliance burden.

5.14 The Committee was further informed by stakeholders that the regulatory framework in India does not permit foreign-domiciled startups to directly list on Indian stock exchanges. In 2018, an expert committee appointed by SEBI made detailed recommendations for introducing a framework that would enable companies domiciled outside India to list on Indian stock exchanges. The expert Committee identified 10 permissible jurisdictions from where companies may be permitted to list their equity shares on Indian stock exchanges. The Committee also recommended amendments required under various Indian laws such as SEBI regulations, Foreign Exchange Management Act, Income Tax Act, Companies Act, etc. to enable the listing of equity shares of foreign companies in India. However, this recommendation has not been put into action yet. Approximately 19% of all Indian unicorns are domiciled overseas till 2022. As they have a major market and operations in India, such companies are keen on listing in India's capital market.

5.15 On enquiring about the reverse flipping/re-domiciling of startups, the Department has informed that the Government, working closely with regulators and through continuous stakeholder consultations, has promoted and emphasised the resilience of the Indian financial sector and retained the operation base of companies within India. To promote ease of doing business and provide for dedicated regulatory intervention, the Government of India has set up the International Financial Services Centres Authority (IFSCA) as a unified authority for the development and regulation of financial markets in the International Financial Services Centres (IFSCs) in India. The Gujarat International Finance Tech-City (GIFT City) IFSC, is functioning as an "offshore jurisdiction" within India. It is, therefore, uniquely positioned to re-domicile Indian startups that have domiciled overseas. It allows these startups to

return and raise equity capital from GIFT City, along with a host of other benefits. These benefits include access to a robust Banking, Financial Services, and Insurance (BFSI) ecosystem consisting of over 400 institutions, tax incentives, and opportunities to engage with Alternate Investment Funds.

5.16 The Committee is of the view that relaxation of regulatory/legal framework to enable direct overseas listing of unlisted Indian startups and steps to facilitate reverse flipping of startups could give a fillip to the entire ecosystem. The Committee recommends that consultations with stakeholders should be accelerated to establish a clear roadmap and comprehensive regulatory framework to enable unlisted Indian startups to directly list on foreign stock exchanges. The Committee notes that IFSCs like GIFT city can be a game changer in this regard as these will function as an offshore jurisdiction within India. The Committee recommends that concerted efforts should be made to make IFSC GIFT city a preferred destination for startups considering to shift their base.

Income Tax Exemptions to startups

5.17 The Committee was informed that DPIIT recognised startups can avail a range of tax benefits as per provisions of the Income Tax Act, 1961 (amended from time to time). Section 80-IAC of the Income tax Act, 1961 provides that where the gross total income of an assessee, being an eligible startup, includes any profits and gains derived from the business, such assessee is allowed, in computing the total income of the assessee, a deduction of an amount equal to one hundred percent of the profits and gains derived from such business for three consecutive years. Such a deduction may be claimed by the assessee for any three consecutive assessment years out of ten years beginning from the year in which the startup is incorporated.

5.18 As per the guidelines prescribed in the Income Tax Act, 1961 as amended by Finance Act 2023, startups are eligible for Section 80 IAC exemption based on the following conditions:

- i. "eligible startup" means a company or a limited liability partnership engaged in eligible business which fulfils the following conditions, namely:
 - a) it is incorporated on or after the 1st day of April 2016 but before the 1st day of April 2024.
 - b) the total turnover of its business does not exceed one hundred crore rupees in the previous year relevant to the assessment year for which deduction is claimed.

- c) it holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government.

5.19 The Committee was also informed that the process for granting the Certificate of Eligibility for recognised startups to avail benefits has been digitalized and is as follows:

- i. The startup is required to fill in an application form for applying for the Certificate of Eligibility for income tax exemption under Section 80-IAC of the Income Tax Act.
- ii. The application is initially evaluated by a panel of industry experts, and thereon by the members of the Inter-Ministerial Board (IMB), including the Department of Biotechnology (DBT) and the Department of Science and Technology (DST), and DPIIT.
- iii. Based on such evaluation, a startup is granted the Certificate of Eligibility.

5.20 DPIIT has recently undertaken operational measures to expedite the entire IMB process, including digitalisation of the application form and leveraging the expertise of ecosystem stakeholders to ascertain criteria as innovation, job creation, wealth creation, etc.

5.21 The Department has further informed that as on 31st March 2023, 10,165 applications were received for income tax exemption under Section 80-IAC of the Income Tax Act, 1961. Out of these applications, 1,173 have been granted the Certificate of Eligibility for availing the Income Tax exemption. The number of applications received from 2016-2023 as on 31st March, 2023 is given below:

Status	Count
Applications Received	10,165
Applications Approved and Certification Granted	1,173
Applications under Incomplete Status, pending for resubmission by the Startup	7,608
Applications Rejected by the Inter-Ministerial Board	547
Applications for which documents have been verified and are currently under the evaluation of the Inter-Ministerial Board	837

Source: DPIIT

5.22 The Committee expresses concern about the low utilisation of Section 80-IAC of the Income Tax Act, 1961, which was implemented in 2017. Despite the existence of 98,119 recognized startups, only 10,165 of them, accounting for just 10.4%, have applied for income tax exemption under this Act. Furthermore, the Inter-Ministerial Board (IMB) has granted the Certificate of Eligibility to only 1,173 applicants as on 31st March, 2023. This means that even after 6 years of the implementation of Section 80-IAC

of the Income Tax Act, 1961, only 1% of recognised startups have received the Certificate of Eligibility. The Committee, therefore, recommends that the eligibility criteria for issuing certificate of eligibility by IMB for claiming income tax exemptions may be relaxed in consultation with the stakeholders so that more startups could avail the tax benefits under Section 80-IAC of the Income Tax Act, 1961.

5.23 The Committee opines that a staggering 75% of applications being sent for resubmission can be attributed to a lack of clarity in the process. The Committee is of the view that the Government should work towards making the application processes more transparent and user-friendly. The Committee further recommends that the Department should take special drive to educate startups about the exemptions through awareness programmes and interactions. In this regard, the Department may also take assistance from Chartered Accountants and Company Secretaries since they are the face behind tax related matters.

Taxation of Employee Stock Option Plan (ESOP)

5.24 An Employee Stock Option Plan (ESOP) is a type of employee benefit plan which is intended to encourage employees to acquire stocks or ownership in the company. Under these plans, the employer gives certain stocks of the company to the employee for negligible or less costs which remain in the ESOP trust fund, until the options vests and the employee exercises them or the employee leaves/retires from the company or institution.

5.25 The Committee was apprised by stakeholders that ESOPs are an important tool for startups to attract and retain talented employees, but the current tax framework poses challenges. Under the current taxation policy, ESOPs are treated as a perquisite and subject to taxation at the time of exercise, which means employees have to pay taxes even if they haven't sold the shares and realised any gains. Taxing ESOPs notionally before the employee has sold the shares, creates an unintended and onerous tax situation.

5.26 The Committee notes that, to address the situation, the Government has given four years for deferment of tax payable on ESOPs. However, the startup community claims that this becomes counter-intuitive to long-term talent retention because the employee would want to sell off the shares within 4 years to be able to pay the tax. The Committee has learnt that less than 1.5% of the 99,000+ DPIIT-recognised startups can avail the deferment option.

5.27 The Committee was further apprised that employee attrition in startups is estimated at over 40% and given that many start-ups fail, ESOPs in most cases can end up being worthless and the risk of paying a perquisite tax on notional profit without ever making any gains is real. The IMB-certified startups whose employees are eligible to avail of tax deferment on ESOPs are insignificant in

number. The stakeholders submitted that ensuring all DPIIT-recognised startups take the benefit of the relaxation introduced in 2020 would enable startups to compete with larger and more established businesses to meet their talent requirements. This would also help create an attractive talent ecosystem for startups, resulting in multiplier benefits for the economy and encouraging entrepreneurship.

5.28 The Committee observes that ESOPs play a significant role in the startup community. Startups use this instrument to attract employees on low salaries and to conserve cash for investing in the business. A supportive ESOP taxation policy will enable startups to make this mode of compensation attractive to the employees and, at the same time, free up the resources for providing capital to the business. The Committee recommends that necessary amendments to the Income Tax Act may be considered so that ESOPs are taxed only at the time of sale of shares and not on notional gains. Naturally, this significant recommendation would involve the Ministry of Commerce to liaise and take up the issue with the Ministry of Finance and come to a feasible and operational conclusion.

5.29 The Committee notes that the amendment made in the Finance Act, 2020 regarding ESOP deferment benefits only ‘eligible startups’. The criteria for eligibility of startups for ESOP deferment are laid out in Section 80-IAC, under which an eligible startup means a company or limited liability partnership engaged in eligible business (as defined in Section 80-IAC as a business engaged in innovation, development or improvement of products or processes or services or a scalable business model with a high potential of employment or wealth generation), incorporated on or after 01.04.2016, but before 01.04.2024, having a total turnover not exceeding one hundred crore rupees, and holding a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government.

5.30 The Committee was apprised that DPIIT has recently undertaken operational measures to expedite the entire IMB process, including digitalisation of the application form and leveraging the expertise of ecosystem stakeholders to ascertain criteria such as innovation, job creation, wealth creation, etc. As on 30th April 2023, 1,173 startups have been granted the Certificate of Eligibility for availing income tax exemption under Section 80-IAC of the Income Tax Act.

5.31 The Committee observes that only 1173 out of the 98,119 startups recognised by the Department i.e. one percent of the recognised Startups have been granted the Certificate of Eligibility for availing relaxed ESOP taxation whereas there is a demand from the startup community to bring all the Department recognised startups under the ambit of this eligibility criteria. The Committee recommends the Department to fast track the

certification process and ensure that all the applying startups are granted the certificate of eligibility without delay. The Department may pursue with the Ministry of Finance to consider widening the eligibility criteria of Startups and enable all the recognised startups to avail tax exemption under Section 80 - IAC of the Income Tax Act. The Committee, further, recommends that the Department should hold consultations with startups and industry associations to recognise the taxation policy gaps affecting the startup ecosystem and take concerted steps to take them up with the Ministry of Finance to address the concerns.

Angel Tax

5.32 The Committee was informed that as per Section 56(2)(viib) of the Income Tax Act, tax, known as 'angel tax', is applicable on closely held companies including startups when they receive investments in excess of their fair market value. The Angel Tax was introduced to deter the generation and use of unaccounted money through the subscription of shares at a higher value than the fair market value of the shares.

5.33 DPIIT has informed that Section 56(2)(viib) of the Income Tax Act provides that if unquoted shares are issued at a premium by a closely held company, the excess of premium over the fair market value of the shares shall be taxable as income from other sources in the hands of the company. This section does not apply to eligible startup with certificate of eligibility fulfilling the conditions prescribed in Notification No. GSR 127 (E) [F.NO.5 (4)/2018-SI], dated 19-2-2019. Rule 11UA of the Income-tax Rules, 1962 provides the method for computation of the fair market value of unquoted equity shares for the purposes of the Clause (viib) of sub-section (2) of section 56 of the Act. In the Finance Bill, 2023, an amendment was introduced to bring the investments received from foreign investors or non-residents for issue of shares within the ambit of Section 56(2)(viib) of the Income-tax Act, 1961 with effect from 1st April 2024.

5.34 DPIIT has informed that they had taken up the matter with Central Board of Direct Taxes (CBDT) to exclude certain non-residents from the ambit of these provisions. CBDT has vide notification S.O. 2275(E) dated 24th May 2023 notified that the provisions of Section 56(2)(viib) of the Income-tax Act will not apply to DPIIT-recognised startups. Further, notification S.O. 2274(E) issued by CBDT on 24th May 2023 notified that certain classes of non-resident investors on which the provisions of Section 56(2)(viib) of the Income-tax Act shall not apply. These classes include Government and Government-related investors such as central banks, sovereign wealth funds, international or multilateral organisations or agencies, as well as entities controlled by the Government or where the Government's direct or indirect ownership is 75% or more. Banks or entities engaged in the insurance business will be exempt if they

are subject to applicable regulations in the country of establishment or incorporation, or if they are residents of a particular jurisdiction. Additionally, entities registered with SEBI as Category-I Foreign Portfolio Investors; endowment funds associated with universities, hospitals, or charities, pension funds established under the laws of foreign countries or specified territories; and broad-based pooled investment vehicles or funds with more than 50 investors, excluding hedge funds or funds employing diverse or complex trading strategies of 21 countries are also eligible for exemption. Further CBDT vide draft notification F. No. 370142/9/2023 dated 26th May 2023 notified the draft to mitigate the inconsistency in the valuation rules. The proposed changes in the Income Tax Rules, 1962 prescribes 5 more valuation methods, available for non-resident investors, in addition to the Discounted Cash Flow (DCF) and Net Asset Value (NAV) methods of valuation.

5.35 The Committee was informed by the stakeholders that due to the Section 56(2)(viib) of the Income Tax Act, 1961, there is a risk on the entire investment amount being taxed at 30 per cent if the investment is above fair market value. The fair market value of asset-light tech companies is based on future assumptions and can be easily questioned. As a result, the risk of genuine investments being taxed is very high creating serious impediments in raising capital. Accordingly, there is a need to re-assess the angel tax regime holistically, with a view to abolish it or expand the list of exempted investments.

5.36 The Committee was further informed that eligible startups are exempt from Angel Tax vide Notification no. G.S.R. No. 127(E) dated 19th February but the conditions prescribed in the said notification are very restrictive and prevent a significant majority of startups to qualify for the same. There is also a ceiling of Rs 25 crore on the maximum share capital amount (including share premium) and restriction on investments in certain specified assets for qualifying as an Eligible startup for Angel tax exemption. It was also informed that the impact of the amendment to Angel tax can lead to unintended results, wherein the startups would end up having to justify their fair market valuations in regard to share issuance to tax authorities in prolonged litigations, even though the funds have been raised from genuine and accredited third party venture capital funds and private equity investors.

5.37 During the meeting on 29th May, 2023, the Secretary, DPIIT informed the Committee that, DPIIT has, in the past, taken up with the Ministry of Finance the tax-related issues including the Angel Tax issue. Recently, some tweaking of the evaluation methodology and other steps have addressed some of the concerns raised by startups. Further he informed that DPIIT will engage with the startups further to understand if there are still residual concerns and they would take them up strongly with the Ministry of Finance.

5.38 The Committee appreciates that the CBDT, M/o Finance has, after consultation with stakeholders, excluded certain non-resident investors, including sovereign wealth funds and regulated entities from the ambit of Section 56(2)(viib) of the Income Tax Act, 1961. This will boost the startup ecosystem while ensuring a more favourable and investor-friendly business environment. The Committee is aware of the fact that the startup sector needs an enabling policy environment. The Committee is also of the view that the methodology adopted to ascertain the Fair Market Value of shares needs to be unambiguous as it influences taxation for a domestic or foreign investment. A decision to remove the confusion in this regard is required to be taken in consultation with all the stakeholders. The Committee, therefore, strongly recommends that the Department must engage with all the stakeholders to understand all residual concerns regarding Angel Tax and take up the matter with the Ministry of Finance for a speedy resolution.

INFRASTRUCTURE SUPPORT

Testing and Certification

6.1 During discussions with stakeholders, testing and certification challenges faced by startups have been brought to light. One prominent issue raised by stakeholders is the absence of adequate and specific testing standards, particularly for startups dealing with hardware products. The problems faced in this regard were narrated to the Committee through explaining the process of testing and certification for drones. The process is time-consuming and different agencies like BIS, Quality Council of India, National Physical Laboratory, etc. are involved in the approval process. Consequently, the certification gets delayed which often leads to outdated technology, causing substantial inconvenience.

6.2 The Committee was apprised that not many institutions /laboratories in the country have the facilities required to test and certify new and innovative products. The establishment of an in-house facility by IITs is not sufficient to fully accommodate the growing number of hardware-based startups. Hardware development, unlike software, entails a lengthier gestation period, and an even minor component change requires revalidation and certification. This prolonged process adds to the time and costs involved in bringing hardware products to market.

6.3 The stakeholders further informed that startups established by young professionals often face financial constraints and the expenses involved in obtaining product certifications can be significant, posing challenges for these startups to afford such costs.

6.4 On enquiring about the measures taken for testing and certification of products, the Department has informed that the following measures are being undertaken:

- (a) IFSCA has launched a unique 'Fin-Tech. Entity Framework' focusing on Fin-Techs and Tech-fins. The framework provides support to Startups who may like to develop their products/Minimum Viable Product (MVP) or do a 'Proof of Concept (PoC) under the Innovation and Regulatory Sandbox of IFSCA. Under the framework, IFSCA provides either Authorisation or Limited-use Authorisation to the Fin-Techs. IFSCA facilitates 'live-testing' of the products or services of the Fin-Techs/Tech-fins.
- (b) The Department of Telecommunications (DoT) has offered the usage of 5G Test Bed free of cost to the Start-ups and MSMEs recognised by the Government of India up to January 2024. All 5G stakeholders i.e. Industry, Academia, Service Providers, R&D Institutions, Government Bodies, Equipment Manufacturers etc. can utilise this facility at a very nominal rate. Several startups and companies are already using the Test Bed for testing their products and services. Indigenous 5G Test Bed provides an open 5G test bed that enables R&D teams of Indian academia and industry to validate their products, prototypes, algorithms and demonstrate various services. Further, it provides complete access for research teams to work on novel concepts/ideas holding potential for standardisation in India and on global scale.
- (c) Domain Specific Centres of Excellence (CoEs) to be established with STPI: MeitY has envisaged and operationalised 42 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. As of now, 500+ startups are supported, 130+ startups raised funding more than 70 Cr, 100+ patents filed and 15+ challenges organised. The domain specific CoEs are mainly executed to operate in deep-tech areas covering FinTech, EdTech, MedTech AgriTech, Blockchain, IoT, AI/ML, AR/VR, Gaming/ VFX etc.
- (d) Additionally, depending on the technology domain of startups, the concerned Ministry/ Department may issue specific regulatory exemptions on testing/ validation of new technologies like in healthcare, Ministry of Health and Family Welfare issued several guidelines on regulatory certification and clearances through different concerned healthcare agencies.

(e) Standardisation Testing and Quality Certification (STQC) Directorate, an attached office of the Ministry of Electronics and Information Technology (MeitY) provides quality assurance services in the area of Electronics and IT through countrywide network of laboratories and centres. The services include Testing, Calibration, IT and e-Governance, Training and Certification having National / International accreditation and recognitions in the area of testing and calibration. STQC is providing cost of several certifications on discounted price especially for industries registered under MSME and startups upto 3 years after registration with Government of India authorised department e.g., DPIIT.

6.5 The Committee notes the concerns expressed by stakeholders regarding the challenges they encounter in obtaining testing and certifications for their products. The Committee strongly feels that the testing and certification mechanism in the country needs to keep pace with the rapidly changing times and with the markets being inundated with new products. The testing process should be less time-consuming, easily navigable and industry friendly.

6.6 The Committee recommends that a dynamic testing and certification standards should be established in the country as per international best practices. The Government should strive to incorporate automation and also ensure adequate number of skilled testing personnel to increase the effectiveness and efficiency of the testing process. It is also crucial to establish adequate number of institutions/laboratories/facilities in the country to test and certify innovative products.

6.7 The Committee observes that multiple bodies are involved in the testing and certification processes leading to delay in certification. The Committee, further, observes that hardware development, unlike software, entails a lengthier gestation period, and even minor component changes requires revalidation through multiple levels/bodies. This prolonged process adds to the time and cost involved in bringing hardware products to market and at times results obsolescence of the products by the time the certificate is issued. The Committee recommends the streamlining of the testing and certification processes so as to ensure the issuance of certification is prompt.

6.8 The Committee is concerned about the compliance and financial burden incurred by startups in obtaining product certifications. The Committee recommends the Department to hold consultations with startups especially hardware startups to gauge the burden and formulate mechanisms to off-set the constraints faced by them.

Talent Gap & Skill Development

6.9 On being asked regarding the steps taken by the government to address the issue of skilled talent, the Department informed that the Government has implemented several initiatives to support and nurture young entrepreneurs in India such as:

- a) National Education Policy: National Education Policy 2020 aims at a concerted national effort to ensure universal access and afford the opportunity to all children of the country to obtain quality holistic education – including vocational education from pre-school to Grade 12.
- b) Ministry of Education has established an ‘Innovation cell’ with the purpose of systematically fostering the culture of Innovation in all Higher Education Institutions (HEIs) across the country in 2018.
- c) The Atal Innovation Mission (AIM) is a flagship initiative of the Government of India, set up by NITI Aayog to promote innovation and entrepreneurship across the length and breadth of the country. Since its inception, AIM has established over 10,000 Atal Tinkering Labs with the objective of fostering curiosity, creativity and imagination in young minds and inculcate skills such as design mindset, computational thinking, adaptive learning, physical computing, rapid calculations, measurements etc. ATL conducts round the year events and challenges that provides a platform for young students to develop the innovative mindset and showcase their talent.
- d) Biotechnology Industry Research Assistance Council (BIRAC) is the specialised central enabling agency under the Department of Biotechnology, to support startups and entrepreneurs in the biotech sector. BIRAC has created a strong ecosystem and support mechanism across the country to facilitate startups and entrepreneurs in the biotech sector. BIRAC’s initiatives aim to empower students and the youth to be innovative such as schemes like Biotech Ignition Grant (BIG), Students Innovations for Advancement of Research Explorations (SITARE), Empowering Youth for Undertaking Value Added Innovative Translational Research (EYUVA) provide funding opportunities for entrepreneurs, startups, scholars and scientists to establish proof of concept for their innovative ideas.
- e) BIRAC and its partners organize various technical training programmes with focused upskilling of biotech startups and young entrepreneurs. There are evangelization programmes to promote and support 1st generation entrepreneurs. Specific programmes, workshops are conducted for Regulatory, legal, IP management, go to market stratify, fund raising and business mentorship. BIRAC’s

Practice School run through BIRAC supported Incubation centres trains new Incubation Managers. E-YUVA centres set up at the university level, indirectly promotes adoption of changes in the curriculum and translational research.

- f) Entrepreneurship Bootcamp: Startup India and Schulich School of Business, Canada have successfully hosted two series of “Together” programme. It is a 7-day virtual programme that familiarises students through the journey of problem recognition, ideation, validation, customer acquisition, business plan development, and investor pitch whilst allowing them to work with peers and mentors from across the globe.
- g) Pitching Competitions: Startup India and Gitam University along with Northeastern University are conducting a student pitching programme with the aim to encourage students to work on startups that help build sustainable and resilient communities through social innovation. The programme includes providing personalised coaching and grooming students’ ideas with 27 bootcamps and coaching sessions for shortlisted candidates conducted by internationally trained venture coaches.

6.10 The Committee was apprised by stakeholders that most startups struggle to attract good talent. At the same time, most fresh graduates find difficulty getting placed in good organisation. To address the issue of talent gap, the stakeholders suggested encouraging industries to collaborate with educational institutions to create customized courses catering to the needs of startups, enhancing skill development programmes that specifically target emerging technologies and entrepreneurial skills, promoting industry-academia partnerships to bridge the gap and facilitate exchange of knowledge.

6.11 The Committee notes the Government's efforts to address the issue of talent gap in the startup sector. The Committee feels that this is an opportune time to reverse the ‘brain drain’ that has been occurring over the years. The Committee recommends the Department to identify industries that may have shortage of local talent and attract professionals by creating opportunities under initiatives like ‘Return to India’ programme. Universities may be encouraged to offer more courses in STEM (Science, Technology, Engineering and Mathematics) subjects in order to prepare a ready workforce for innovation intensive sectors.

6.12 Active collaboration between Government, Industry and Academia is crucial to solve the issue of talent absorption in the startup sector. Educational Institutions and Industries should come together to create learning platforms for students and professionals to keep pace with the developments and demands of the startups. Upgradation of the curriculum

in schools and colleges is the need of the hour to encourage entrepreneurial skills in the youth and also to align with the evolving demands of fast paced startup community thereby bridging the talent gap. The Committee recommends that the Department may from time to time engage in interactions with startups to gather insights regarding areas experiencing a shortage of skilled manpower. Further, the Committee also recommends that industries may be persuaded to establish centres within educational institutions to provide skill development and re-skilling opportunities, along with offering internships at their workplaces.

Mentorship

6.13 The Committee notes that Mentors can play an important role in helping startups to scale up and in ensuring sustainability of the ventures. Mentors are vital for new startups as they add a lot of value through guidance, network, assessment, expertise, knowledge and industry insights.

6.14 The Committee was informed by DPIIT that the Government has introduced several initiatives to ensure mentorship to startups. The Committee was apprised of multiple major schemes which include mentorship and guidance as key elements which are as follow:

- i. National Startup Awards (NSA): launched in 2020 as an initiative to recognise 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. Under NSA, the finalists and winners are provided with year-round capacity building and handholding support across tracks such as mentorship, market access, investor-connect, etc. NSA has recognised and facilitated 450 startups as winners and finalists covering over 50 sectors and special categories across all the editions.
- ii. Startup India Yatra: Entrepreneurs were scouted and provided with a platform for them to pursue their aspirations through incubation and mentorship from renowned institutions.
- iii. MAARG Portal: In order to facilitate accessibility to mentorship for startups in every part of the country, the Mentorship, Advisory, Assistance, Resilience, and Growth (MAARG) programme has been developed and launched under the Startup India Initiative. The MAARG platform has been developed with the idea to be accessible from every corner of the country, to request and connect with a mentor. It acts as a one-stop mentorship platform for startups across diverse sectors, functions, stages, geographies, and backgrounds. Startups can connect with academicians, industry experts, successful

founders, seasoned investors, and other experts to get personalised advice on growth strategy, seek clarity and avail practical advice. Since the launch of MAARG, 800+ mentors and 1000+ startups have been onboarded on the portal. Additionally, there are six active cohorts live on the portal.

- iv. Mentoring is provided to startups, directly by BIRAC and through BIRAC partners. BIRAC organizes regular and well-structured technical and business review for startups supported under various schemes and programmes. BIRAC partners conduct regular one-on-one mentoring of startups for progress on technical and business aspects. Mentors are scouted based on requirement and added to a central database on a regular basis. There are national and international level peer-to-peer engagement events conducted for experience and best practices sharing, business pitches to investors, industry representatives for mentorship and business engagement.
- v. Under the MeitY Startup Hub portal, relevant stakeholders are onboarded to support the technology startups including mentors, VCs, academicians, startup founders, incubation centres, financial experts etc. A total of 424 mentors have been presently onboarded onto the MSH portal who are engaged in various mentoring and capacity building sessions with startups. These mentors are onboarded based on their experience, expertise and thrive to support the startup ecosystem. In addition, the innovation entities *viz.* CoEs and incubation centres have their own pool of mentors based on the specific sector.
- vi. Under the DA&FW's RKVY Innovation & Agri- entrepreneurship programme, Knowledge Partners and RKVY Agribusiness Incubators are given funding support to hire core management team members/ mentors and tech support persons/ business development professionals/ domain experts etc. to provide mentorship to selected agri-preneurs. These mentors are selected through open advertisement.

6.15 The Committee notes the initiatives being undertaken by the Department to provide mentorship to startups. Further, it notes that the MAARG (Mentorship, Advisory, Assistance, Resilience, and Growth) platform provides a one-stop platform to facilitate mentorship for startups across diverse sectors, functions, stages, geographies, and backgrounds. The Committee observes that since the launch of MAARG in November, 2022, only 800+ mentors and 1000+ startups i.e. merely 1% of startups have been onboarded on the portal. The Committee urges the Department to ensure that the startup community is aware of the national mentorship platform and are enabled to avail the guidance of the mentors on board the MAARG platform. The number of mentors needs to be increased given the

volume and size of the startup community. Collaboration with Industry associations may also be established to ensure robust mentorship and networking ecosystems for startups.

6.16 The Committee believes that facilitating connections between startups and mentors and investors who can offer valuable guidance and support is crucial for their development and success. The Committee hopes that the various flagship programmes of the Government will cater to mentorship needs of startups. The Committee recommends that the government's existing initiatives on providing mentorship should be closely monitored to ensure effective and high-quality mentorship is being offered to startups. This proactive approach will enhance the overall impact of these initiatives and benefit the startup ecosystem.

Research & Development

6.17 The Committee was informed by the Department that, to boost innovation and R&D in the startup ecosystem, it is encouraging private organisations to support startup infrastructure. Pursuant to this, the scope of activities considered under Corporate Social Responsibility (CSR) has been expanded in the year 2019 *vide* Notification G.S.R. 776(E) amending clause No. ix under Schedule VII of the Companies Act to include:

- i. any contribution to incubators funded by Central or State Government or any agency or Public Sector Undertaking of Central or State Government; and
- ii. making contributions to public funded Universities, IITs, National Laboratories and Autonomous Bodies (established under the auspices of ICAR, ICMR, CSIR, DAE, DRDO, DST, MeitY) engaged in conducting research in science, technology, engineering and medicine aimed at promoting SDGs).

6.18 Additionally, firms engaged in “research and development activity of new vaccine, drugs and medical devices in their normal course of business” are now also eligible for CSR benefits.

6.19 The Committee was further informed that BIRAC offers specialised schemes to promote Industry-academia linkages such as Contract Research Scheme (CRS) which aims to enable validation of academic research that has commercialisation potential and engage contract research and manufacturing (CRAMS) industry to carry out the validation of a process or a prototype.

6.20 On enquiring about the measures taken to help startups that are involved in critical sectors that require R&D - such as genetics or electronic chip design or the space sector, the Department informed that with the onset of emerging and constantly evolving technologies and industries, the Government has made

an active effort in building a stakeholder driven policy regime to promote startups across different stages and sectors. The measures taken by various Ministries/ Departments, specifically to support startups in critical sectors such as genetics, electronic chip design and space sector are in **Annexure – VII**.

6.21 Further, stakeholders have apprised the Committee about the importance of significant investment in research and development, especially for companies engaged in manufacturing products. It was stated that generally, R&D activities demand substantial investments in terms of capital and resources. To foster innovation and technology commercialisation, it is suggested that partnerships between startups and research institutes be encouraged. Such collaborations would greatly contribute to the development of foolproof products that could be accredited by NABL or carry the label 'Made in India', signifying their suitability for the Indian market.

6.22 The Committee appreciates the amendment to clause No. ix under Schedule VII of the Companies Act to allow contribution to incubators, public funded Universities, IITs, National Laboratories and Autonomous Bodies be considered under CSR and support startup infrastructure. The Committee hopes that this step will certainly help in boosting the startup infrastructure.

6.23 The Committee recommends that the Department should encourage partnerships between startups and research institutes for collaborative innovation and R&D partnerships, for an accelerated pace of innovation and economic growth. The private sector may be encouraged to invest in these collaborative research ventures. The Department may hold workshop/events to facilitate networking and connections between stakeholders to ensure collaborative research and innovation. The Department may also identify barriers to such collaboration and address them. The Government may consider introducing R&D tax credits for startups to further incentivise innovation in startups and improve competitiveness of startups.

Incubators

6.24 Incubators help startups in their growth by providing necessary resources such as infrastructure, mentorship and financial support. As per the Startup India website (<https://www.startupindia.gov.in/content/sih/en/incubator-framework.html>), there are 400+ incubators with most of them at nascent stage. The Committee notes that Startup India aims to enhance capacities of the existing incubators and also provide support in setting new incubators. The main Schemes of various Ministries/ Departments to setup/assist incubators are as under:

(i) Atal Innovation Mission (AIM)- Atal Innovation Centres(AICs) :

The objective of the scheme is to promote and establish incubation centres in India which would support and encourage startups in specific subjects/sectors such as manufacturing, transport, energy, health, education, agriculture, water, and sanitation, etc. and provide them with necessary infrastructure facilities and other value added services. The scheme also focuses on the establishment of AICs in underserved and unserved areas to support inclusive growth. AICs aim to foster and support world class innovation, dynamic entrepreneurs who want to build scalable and sustainable enterprises. In addition to setting up new AICs, AIM is invigorating Established Incubation Centres (EICs) in the country through financial scale-up support, thus strengthening the industry-academia ties even further to boost innovation. Till date, AIM has set up about 70 Atal Incubation Centres across universities and institutions.

(ii) Technology Incubation and Development of Entrepreneurs (TIDE 2.0) Scheme:

MeITY had initiated TIDE 2.0 scheme in 2019 with an outlay of Rs 264.62 crore over a period of 5 years. It extends financial and technical support institutes of higher learning and premier R&D organisations engaged in supporting ICT startups using emerging technologies. Under the scheme, 820+ startups have been onboarded across 51 Incubation Centres. Of which 74 startups are having customers, 150+ start-ups attracted investments of more than 300 crore, 339 products developed, 280+ patents filed, 170+ copyrights/ trademark registered, 2900+ employment generated with 70+ awards/ prizes/ recognitions received by the start-ups.

(iii) Bioincubators Nurturing Entrepreneurship for Scaling Technologies (BioNEST)

The objective of the scheme started by the **Department of Biotechnology** is to scale up biotech incubation in India, through BIRAC, by supporting new bio-incubators at Academic/Research Hospitals/organisation fostering innovation and entrepreneurship and strengthening existing incubators attached to academic institutes. BIRAC has set up 75 Incubation Centres across 21 States/UTs of the country to promote and nurture startups and entrepreneurs in the field of Biotechnology. The incubation centers provide access to specialised biotech infrastructure, high end equipment, mentoring, and handholding and connect with Industry. The incubation network has supported 1800+ incubates and 800+ products developed by these are in the market.

(iv) NIDHI-Technology Business Incubator (NIDHI-TBI) Program

The objective of this programme started by the Department of Science and Technology is to promote new technology/knowledge/innovation

based startups that create jobs, wealth & business in alignment with national priorities and to provide a platform for speedy commercialisation of technologies developed by the host institution or by any academic/technical/R&D institution or by an individual. Under TBI cost-effective, value added services are provided to startups like mentoring, legal, financial, technical & intellectual property related services.

6.25 The Committee notes the vital role played by incubators in helping startups grow from an early-stage idea to a company. The Committee appreciates the various initiatives taken under Startupindia to establish a robust incubator framework in the country. During the deliberations, stakeholders made a reference to a innovation ecosystem called T-HUB, a public-private partnership venture by the Government of Telangana in Hyderabad. The Committee acknowledges the remarkable contribution of T-Hub to the startup ecosystem in the country. The Committee stresses the need to replicate this model in other States as well. The Committee recommends that, under the Startupindia initiative, other State Governments may also be encouraged to establish such integrated Incubation Centres, through public-private partnership to create a vibrant innovation and *startup* ecosystem.

Intellectual Property Rights

6.26 Intellectual Property Rights (IPRs) are emerging as a strategic business tool for any business organisation to enhance industrial competitiveness. Startups, with limited resources and manpower, can sustain in this highly competitive world only through continuous growth and development oriented innovations; for this, it is equally crucial that they protect their IPRs.

6.27 The Committee was informed that a number of policy reforms have been undertaken by DPIIT since 2016 in the area of institutional strengthening and process digitalisation for improving the Intellectual Property (IP) ecosystem in the country. To encourage innovation in the country through the promotion of IP Rights, several amendments to the IP filing processes have been made to make them shorter, more efficient, and effective. The major IPR schemes and policy measures in this regard are as under:

- A. National Intellectual Property Rights (IPR) Policy: The adoption of IPR Policy in 2016 has been the beginning of new era for IPR regime in India where all IP has been brought to a Single Platform.
- B. Startups Intellectual Property Protection (SIPP): Under the Startup India Initiative, recognised startups are eligible for expedited patent application examination and disposal. The Government launched the SIPP which facilitates 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. Under SIPP, over 9,412 startups have filed for expedited examination for patent applications, of which more than 1,082 patents have been granted. Further, 33,095 Trademark applications have been filed.

C. Support for International Patent Protection in Electronics & Information Technology E&IT (SIP-EIT) Scheme for SMEs: Scheme to support to Indian MSMEs and startups for filing of international patents in the ICT domain through reimbursement grant upto Rs 15.0 Lakhs per invention or 50% of the total expenses incurred in filing and processing of patent application have been provided for 67 applications from startups, MSMEs.

D. IP Awareness Programme for Electronics & Information Technology (E&IT) Sector: A critical component of the SIP-EIT scheme is MeitY's IP Awareness Programme. IPR generated in India needs to be legally protected and exploited. Lack of awareness about IPR procedures and IP methodologies specifically for a complex area like E&IT is one of the key obstacles towards expanding the IP portfolio from India. Hence, there is a strong need for creating IPR awareness among stakeholders which includes not only Academia, Researchers, Entrepreneurs, Judiciary and allied stakeholders but most importantly the students of technology who are spearheading the disruptive use of technology. The aim of this project is to create a holistic sustainable model for creating IPR awareness among various stake holders.

6.28 Sustained efforts in this direction by have led to an increase in the filings, grants and registrations of IPs, Trademarks, Patents and Designs since 2016. The year-wise details of IP filings by startups between 2016 and 2023 are as under:

Financial Year	Designs	Patents	Trademarks	Total IP Filings
2016-17	-	220	4	224
2017-18	-	713	1,430	2,143
2018-19	36	984	2,596	3,616
2019-20	76	1,841	4,130	6,047
2020-21	95	1,786	6,468	8,349

Financial Year	Designs	Patents	Trademarks	Total IP Filings
2021-22	132	1,649	8,649	10,430
2022-23*	148	2,219	9,818	12,185
Total	487	9,412	3,309	42,994

**As on 30th April 2023*

Source: DPIIT

6.29 The Committee notes the steps taken for institutional strengthening and process digitalisation to improve Intellectual Property Rights (IPR) framework in the country. The Committee also notes the cumulative increase in filing of Trademarks, Patents and Designs over the years. However, the Committee is concerned that despite sustained efforts; only 11% of the 9,412 patent applications filed by startups have been granted patents. The Committee, therefore, recommends the Department to investigate the reasons behind the less percentage of patent grants compared to the applications and the reasons may be furnished to the Committee along with remedial measures taken to expedite the grants.

6.30 During its deliberations with the stakeholders, the Committee learnt that most startups are unaware of the IP process and how to effectively utilise IP laws in the initial stages. The Committee feels that there is a necessity to raise awareness among startups regarding IP laws as well as handhold them to navigate the IPR framework in order to avail the IP protection and benefits without delays. The Committee recommends the Department to conduct workshops /events to raise awareness among startups regarding IP laws and processes. The Committee hopes that ‘IP Mitra’ concept introduced by the office of Controller General of Patents, Designs, and Trade Marks (CGPDTM) will help in alleviating the hurdles being faced by the startups in navigating the IP regime to a great extent.

ROADMAP AND PLANS FOR THE FUTURE

7.1 On enquiring about the short-term and long-term measures/ micro/ macro policies to support startups in the country, DPIIT has informed that it has unveiled the "Startup India: The Way Ahead" plan, outlining various measures the Government intends to build on in the next five years for future of India’s startup ecosystem. Some of the key measures include:

- i. Reducing compliance burden and enabling startups to focus on their work without worrying about approvals or clearances.
- ii. Mechanisms to be created for enabling procurement of products or processes based on innovative ideas to improve public service delivery.

- iii. Promoting greater systematic and synchronised efforts for impactful policy development and execution.
- iv. Setting up new incubators and accelerators in collaboration with State Governments and UTs and the private sector to support startups.
- v. Developing capacities of ecosystem enablers and stakeholders to promote a more inclusive startup ecosystem.
- vi. Amplifying the innovation and entrepreneurship led ecosystem through academia.
- vii. Promoting 'vocal for local' and to create a comprehensive ecosystem for the development and deployment of digital products and services developed by Indian startups.

7.2 The Committee while appreciating the measures taken by the Government to build the future of India's startup ecosystem expresses concern that the measures lack specific targets and review mechanism. The Committee desires that these measures should have specific milestones and timelines; and that periodic review should be done to assess the progress and impact of the initiatives.

CREATION OF A SINGLE IMPLEMENTING BODY

8.1 The Committee observed that there are separate startup cell within different Ministries. On enquiring whether there is a separate Government body/entity apart from DPIIT to oversee the assistance provided to startups, the Department informed the Committee that as per Government of India (Allocation of Business) Rules, 1961, matters relating to Startups is assigned to the DPIIT. DPIIT as the nodal agency in the country for matters relating to startups is responsible for recognizing startups to implement flagship Schemes; capacity building of the ecosystem; consultation with various stakeholders; enabling market access; and promotion of the initiative and the ecosystem.

8.2 The Department further informed that with the objective of ensuring a whole-of-government approach, DPIIT works together with specific line ministries and departments to ensure execution of sector-specific interventions for startups such as the Department of Biotechnology's Biotechnology Industry Research Assistance Council (BIRAC) to support and nurture startups in the Biotechnology sector, and the Ministry of Electronics and Information Technology's Startup Hub to partner with players in the tech sector and deepen startup-industry linkages.

8.3 Additionally, other line ministries also work together to enable sustained, holistic growth of startups in all segments of the industry, such as the Ministry of Education's Innovation Cell which encourages students of all ages to come

up with solutions for complex problems, and the Ministry of Finance with whom DPIIT holds regular consultations. A list of 42 Ministries and Departments with a dedicated programme/ scheme for promoting the growth of startups is placed at **Annexure VIII**.

8.4 The Committee notes that 42 Ministries /Departments/ Bodies are overseeing the implementation of various startup schemes/initiatives/programmes in the country. The Committee opines that such distribution of implementation responsibilities across Ministries for startups leads to lack of coordination, confusion amongst the stakeholders as well as delayed implementation of the schemes. There is a need to streamline all the active startup schemes/initiatives/programmes under a single implementing body. Therefore, the Committee recommends the Department to establish a single implementing body to effectively oversee and manage the entire startup ecosystem. This step will usher in the much needed synergy in the startup ecosystem. The Committee further recommends the establishment of a robust grievance mechanism to address issues in real-time and provide timely resolutions.

CONCLUSION

9.1 The Committee appreciates that DPIIT along with other Ministries/Departments are implementing a plethora of initiatives/programmes/schemes for the startups and for strengthening the ecosystem. However, during the examination of the subject and interactions with the stakeholders, the Committee learnt that less number of startups are availing the benefits of the schemes/initiatives compared to the number of startups existing in the country.

9.2 The Committee has also identified the challenges facing the Indian startup ecosystem such as Access to Funding, Market Access, Flipping of Startups, Regulatory hurdles, Taxation issues, Skilled Talent gap, Research & Development, Inclusivity and Diversity. The Committee is concerned that the presence of these challenges and hurdles in the startup ecosystem has led to the failure/closure of startups. The Committee has been apprised by the stakeholders that the ratio of failure is much higher than the ratio of success in terms of startups.

9.3 The Committee enquired about the data regarding the success rate of startups in India and the number of startups that have achieved profitability or sustainable growth. The Department informed that regular businesses are often measured by success or failure in a specific number of years of operation. Startups and scale ups are more accurately measured by failure or success in a particular phase making it difficult to put together a statistic covering all types of new businesses and their failure rate with any level of accuracy. The Department did not respond to the query regarding parameters/ indicators to classify a startup as laggard/ advanced.

9.4 The Committee feels that it is vital to have a mechanism in place to assess the health of the ecosystem in terms of successful startups and failed startups and the reasons thereof. This mechanism will help to improve and customise the current schemes/programmes for startups as well as guide in formulating new policies targeting the needs of startups especially early stage startups and arrest their failure.

9.5 The Committee in this report has discussed various strategies offering solutions to the issues ranging from providing easier access to funding and market; promoting ease of doing business by simplifying regulatory procedures; improving taxation benefits so as to cover larger number of startups; improving the skilled talent through changes in education and leveraging mentorship to startups; improving areas of Research and Development through effective collaboration with research institutes and startups and improving access to IPR regime; extending the scope of startup ecosystem in terms of its geographical reach to all states, smaller cities and rural areas as well as in reaching to the under-represented section of the society such as women; and other strategies, etc. It is important to explore the feasibility of consolidating the startups schemes/initiatives being implemented by different Ministries involving multiple stakeholders in order to promote coordination and ensure smooth processes.

9.6 The Committee is positive that regular evaluation and adjustment of the short-term and long-term government measures for the startups guided by the insights/recommendations outlined in the Report will help India's startup ecosystem soar to new heights.

RECOMMENDATIONS/OBSERVATIONS - AT A GLANCE

STARTUP INDIA INITIATIVE

1. The Committee acknowledges the Government's efforts, which have contributed to remarkable growth of the startup ecosystem, with recognized startups increasing from 428 in 2016 to 98,119 as of 30th April 2023. India has become the 3rd largest startup ecosystem globally and is home to 108 unicorns, collectively valued at \$340.80 billion as on 31st May, 2023. While appreciating the Government's endeavours, the Committee emphasizes the need to continue and sustain these initiatives to further propel the ecosystem to greater success as it has the potential to become the largest ecosystem in the world. (Para 2.8)

Diversification of startups across sectors

2. The Committee notes that the largest segment in the Indian startup ecosystem is dedicated to IT Services. The Committee also acknowledges the Government's efforts to support startups in non-tech and social sectors. The Committee recommends that effective implementation of these measures must be ensured for holistic growth of startups across diverse sectors in the country. (Para 2.12)

Agri startups

3. The Committee is of the view that, given that India is primarily an agricultural country, the emergence of startups focusing on the agriculture sector has the potential to be a significant game-changer for the nation. The Committee acknowledges the government's initiatives to support agri-based startups but expresses concern about the low representation of such startups in the overall startup ecosystem. (Para 2.16)

4. The Committee observes that out of the total 98,119 recognized startups in the country, only 5,088 startups (5.18%) are recognized under the Agriculture sector. The Committee recommends that additional efforts should be made to expand the presence of agri-based startups by providing them with increased funding opportunities and support through guidance and mentorship. (Para 2.17)

5. The Committee suggests that efforts may also be made to encourage the adoption of advanced technologies, such as Internet of Things (IoT), data analytics, artificial intelligence, and remote sensing, to improve productivity, optimize resource utilisation, and enhance decision-making in agriculture. This can be achieved through collaborations with technology providers, incubators, and research institutions. (Para 2.18)

Representation of Women in the Startup Ecosystem

5. The Committee acknowledges the Government's efforts in supporting women-led start-ups and notes that approximately 47% of recognized startups in the country have at least one woman director out of 98,119 entities recognized as startups. However, during the deliberations with stakeholders, the Committee was apprised of the low representation of women in decision-making and management roles such as CEOs or partners. The Committee firmly feels that greater involvement of women in the startup ecosystem is vital for the economic development of the nation and more can be done to boost women's participation in the startup ecosystem. (Para 2.22)

6. The Committee recommends the Department to adopt a multi-pronged approach to encourage, support and elevate women leadership roles in the startup framework. Strategies such as encouraging venture capital firms to invest in businesses initiated by women entrepreneurs; setting targets for financial assistance to support women-led startups; offering incentives to organisations that back and invest in women entrepreneurs; awareness campaigns and workshops to foster a culture of equality; mentorship programmes and incubation support specifically designed for women entrepreneurs; encouraging industry-wide collaboration and knowledge sharing on diversity and inclusion of best practices can create a supportive ecosystem; establishing women entrepreneurs-focused funds and investment programmes to ensure uninterrupted access to capital; Skill development programmes and training tailored to the needs of women entrepreneurs; etc. need to be implemented. The Department should create a mechanism to collect and analyse data on women entrepreneurs and women participation for informed decision-making and implementation of such targeted programmes. (Para 2.23)

Participation of Tier-II & Tier-III cities

7. The Committee commends the government's endeavours to decentralize and extend the startup ecosystem beyond major districts. However, it emphasizes the importance of further expanding this outreach to include all Tier 2 and Tier 3 cities that currently lack active participation in the startup sector. The Committee is of the view that expanding startups to these regions would foster inclusive economic growth, create employment opportunities for local talent, utilisation of untapped skills, promote cost-effective operations, encourage sustainable development, drive localized innovation, diversify the economy, and enhance infrastructure for the benefit of local communities and the nation as a whole. The Committee, therefore, recommends the Department to

identify underperforming Tier 2 and Tier 3 cities, along with other rural areas. (Para 2.29)

8. The Committee also recommends the Department to initiate an outreach campaign to encourage startup initiatives in Tier 2 and Tier 3 cities. The Department should implement measures encompassing easier access to funding and mentorship networks, tax benefits, subsidies, infrastructure development, enhancing internet connectivity and regulatory reforms. (Para 2.30)

9. The Committee further recommends the Department to launch publicity campaigns in Tier 2 and Tier 3 cities to raise awareness about the policy initiatives aimed at promoting startups. These campaigns will play a crucial role in informing potential entrepreneurs in these regions about the available support and opportunities, encouraging them to utilise the available support and opportunities for startup development. (Para 2.31)

Capacity building of States/UTs

10. The Committee applauds the Department for its proactive approach in evaluating the states' engagement in the Startup ecosystem through the utilisation of the States Ranking Framework (SRF Rankings). The Committee recommends that the states showing exemplary performance should periodically share their experiences with other states. The Committee further recommends that the Government should facilitate discussions among states including high-performing and underperforming states to make necessary regulatory adjustments and promote the growth of startups on a broader scale. (Para 2.37)

ACCESS TO FUNDING

11. The Committee acknowledges the Government's initiatives in providing funding for startups. However, given the feedback submitted by the stakeholders, the Committee recommends that the Department conducts an assessment to identify areas that require additional funding. Appropriate enhancements to the funds may be made to ensure seamless functioning of sectors requiring significant capital such as deep-tech, etc. The Committee further recommends that the Department ensures the availability and timely release of funds and facilitates quicker access to Government grants. The Committee notes that investment in startups are cyclical in nature, which undergo market corrections from time to time depending on various circumstances such as global macroeconomic situation, investor sentiments, monetary policies, etc. The Committee feels that there is a need for creating a pool of additional funds which can help good startups to survive such funding winter i.e. the periods where startups find it difficult to raise funding. (Para 3.8)

Monitoring of funding

12. The Committee, while appreciating the efforts of the National Financial Reporting Authority (NFRA) in enhancing the standard of corporate financial reporting, expresses concern at the lack of a government-supported mechanism to monitor the funds received by startups from private investors. The Committee is of the view that Indian startups must comply with the regulatory legal and tax framework to prevent complications and mitigate risks. Startups may be encouraged to adopt best accounting practices to become successful and responsible entities.

(Para 3.14)

MARKET ACCESS

Access to International Markets

13. International exposure to startups on various platforms and enhancing their global outreach is crucial to the development of startups. The Committee appreciates the measures taken in this regard and recommends that efforts may be made to facilitate more startups to participate at the international level. The Committee further recommends for creation of startup cells/ desks at Indian embassies to facilitate Indian startups in getting access to overseas markets.

(Para 4.3)

Public Procurement

14. The Committee observes that public procurement platforms can play a significant role in promoting and encouraging startups in the country. The Committee notes that about 10% of the DPIIT Startups have found space in the GeM portal and have transacted business to the tune of Rs. 14,000 crore in the last 8 financial years. The Committee recommends it must be ensured that the startups are made aware of the public procurement initiatives and handhold them to avail the initiatives to the maximum extent. The Committee further recommends that periodic review of the procurement framework for startups may be held and startups may also be involved in the review process to have better clarity of the gaps in the framework and to plug them appropriately. Procurement data from startups (Ministry-wise, Centre, and State level and also Sector-wise) should be published regularly and the data should be readily available in the public domain to ensure the startups /entrepreneurs are aware of the market opportunities being created in the country for startups.

(Para 4.9)

15. The Ministries/Departments having Canteen Stores may be persuaded to enable start-ups to list their products in the stores and the information of the process of listing in these Stores may be made easily available and accessible to the startups. The Committee feels that large

private companies may also be persuaded to purchase products and services from startups which will further widen the business scope of startups. To facilitate this, the GeM portal may be opened up for the private sector to procure goods and services. (Para 4.10)

REGULATORY SUPPORT

Registration of startups

16. The Committee recommends the creation of a comprehensive database of all startups in the country to effectively ascertain the total number of startups and maintain a holistic record of their presence. This can be done by further simplifying the registration process and eliminating an extensive list of eligibility criteria to get registered at DPIIT. Startups not meeting the eligibility criteria for startup recognition by DPIIT may also be encouraged to register. (Para 5.5)

Reducing Regulatory Compliance Burden

17. The Committee appreciates the extensive steps taken by the Department taken to reduce the compliance burden of the startups. The Committee opines that this exercise should be continued to remove the obstacles and further reduce the compliance burden faced by startups. (Para 5.9)

Re-Domiciling of Foreign Domiciled Startups (Reverse Flipping)

18. The Committee is of the view that relaxation of regulatory/legal framework to enable direct overseas listing of unlisted Indian startups and steps to facilitate reverse flipping of startups could give a fillip to the entire ecosystem. The Committee recommends that consultations with stakeholders should be accelerated to establish a clear roadmap and comprehensive regulatory framework to enable unlisted Indian startups to directly list on foreign stock exchanges. The Committee notes that IFSCs like GIFT city can be a game changer in this regard as these will function as an offshore jurisdiction within India. The Committee recommends that concerted efforts should be made to make IFSC GIFT city a preferred destination for startups considering to shift their base. (Para 5.16)

Income Tax Exemptions to startups

19. The Committee expresses concern about the low utilisation of Section 80-IAC of the Income Tax Act, 1961, which was implemented in 2017. Despite the existence of 98,119 recognized startups, only 10,165 of them, accounting for just 10.4%, have applied for income tax exemption under this Act. Furthermore, the Inter-Ministerial Board (IMB) has granted the Certificate of Eligibility to only 1,173 applicants as on 31st March, 2023.

This means that even after 6 years of the implementation of Section 80-IAC of the Income Tax Act, 1961, only 1% of recognized startups have received the Certificate of Eligibility. The Committee, therefore, recommends that the eligibility criteria for issuing certificate of eligibility by IMB for claiming income tax exemptions may be relaxed in consultation with the stakeholders so that more startups could avail the tax benefits under Section 80-IAC of the Income Tax Act, 1961. (Para 5.22)

20. The Committee opines that a staggering 75% of applications being sent for resubmission can be attributed to a lack of clarity in the process. The Committee is of the view that the Government should work towards making the application processes more transparent and user-friendly. The Committee further recommends that the Department should take special drive to educate startups about the exemptions through awareness programmes and interactions. In this regard, the Department may also take assistance from Chartered Accountants and Company Secretaries since they are the face behind tax related matters. (Para 5.23)

Taxation of Employee Stock Option Plan (ESOP)

21. The Committee observes that ESOPs play a significant role in the startup community. Startups use this instrument to attract employees on low salaries and to conserve cash for investing in the business. A supportive ESOP taxation policy will enable startups to make this mode of compensation attractive to the employees and, at the same time, free up the resources for providing capital to the business. The Committee recommends that necessary amendments to the Income Tax Act may be considered so that ESOPs are taxed only at the time of sale of shares and not on notional gains. Naturally, this significant recommendation would involve the Ministry of Commerce to liaise and take up the issue with the Ministry of Finance and come to a feasible and operational conclusion. (Para 5.28)

22. The Committee observes that only 1173 out of the 98,119 start-ups recognised by the Department i.e. one percent of the recognised Startups have been granted the Certificate of Eligibility for availing relaxed ESOP taxation whereas there is a demand from the startup community to bring all the Department recognised startups under the ambit of this eligibility criteria. The Committee recommends the Department to fast track the certification process and ensure that all the applying startups are granted the certificate of eligibility without delay. The Department may pursue with the Ministry of Finance to consider widening the eligibility criteria of Startups and enable all the recognised startups to avail tax exemption under Section 80 - IAC of the Income Tax Act. The Committee, further, recommends that the Department should hold consultations with startups

and industry associations to recognize the taxation policy gaps affecting the startup ecosystem and take concerted steps to take them up with the Ministry of Finance to address the concerns. (Para 5.31)

Angel Tax

23. The Committee appreciates that the CBDT, M/o Finance has, after consultation with stakeholders excluded certain non-resident investors, including sovereign wealth funds and regulated entities from the ambit of Section 56(2)(viib) of the Income Tax Act, 1961. This will boost the startup ecosystem while ensuring a more favourable and investor-friendly business environment. The Committee is aware of the fact that the startup sector needs an enabling policy environment. The Committee is also of the view that the methodology adopted to ascertain the Fair Market Value of shares needs to be unambiguous as it influences taxation for a domestic or foreign investment. A decision to remove the confusion in this regard is required to be taken in consultation with all the stakeholders. The Committee, therefore, strongly recommends that the Department must engage with all the stakeholders to understand all residual concerns regarding Angel Tax and take up the matter with the Ministry of Finance for a speedy resolution. (Para 5.38)

INFRASTRUCTURE SUPPORT

Testing and Certification

24. The Committee notes the concerns expressed by stakeholders regarding the challenges they encounter in obtaining testing and certifications for their products. The Committee strongly feels that the testing and certification mechanism in the country needs to keep pace with the rapidly changing times and with the markets being inundated with new products. The testing process should be less time-consuming, easily navigable and industry friendly. (Para 6.5)

25. The Committee recommends that a dynamic testing and certification standards should be established in the country as per international best practices. The Government should strive to incorporate automation and also ensure adequate number of skilled testing personnel to increase the effectiveness and efficiency of the testing process. It is also crucial to establish adequate number of institutions/laboratories/facilities in the country to test and certify innovative products. (Para 6.6)

26. The Committee observes that multiple bodies are involved in the testing and certification processes leading to delay in certification. The Committee, further, observes that hardware development, unlike software, entails a lengthier gestation period, and even minor component changes

requires revalidation through multiple levels/bodies. This prolonged process adds to the time and cost involved in bringing hardware products to market and at times results in obsolescence of the products by the time the certificate is issued. The Committee recommends the streamlining of the testing and certification processes so as to ensure the issuance of certification is prompt. (Para 6.7)

27. The Committee is concerned about the compliance and financial burden incurred by startups in obtaining product certifications. The Committee recommends the Department to hold consultations with startups especially hardware startups to gauge the burden and formulate mechanisms to off-set the constraints faced by them. (Para 6.8)

Talent Gap & Skill Development

28. The Committee notes the Government's efforts to address the issue of talent gap in the startup sector. The Committee feels that this is an opportune time to reverse the 'brain drain' that has been occurring over the years. The Committee recommends the Department to identify industries that may have shortage of local talent and attract professionals by creating opportunities under initiatives like 'Return to India' programme. Universities may be encouraged to offer more courses in STEM (Science, Technology, Engineering and Mathematics) subjects in order to prepare a ready workforce for innovation intensive sectors. (Para 6.11)

29. Active collaboration between Government, industry and academia is crucial to solve the issue of talent absorption in the startup sector. Educational institutions and industries should come together to create learning platforms for students and professionals to keep pace with the developments and demands of the startups. Upgradation of the curriculum in schools and colleges is the need of the hour to encourage entrepreneurial skills in the youth and also to align with the evolving demands of fast paced startup community thereby bridging the talent gap. The Committee recommends that the Department may from time to time engage in interactions with startups to gather insights regarding areas experiencing a shortage of skilled manpower. Further, the Committee also recommends that industries may be persuaded to establish centres within educational institutions to provide skill development and re-skilling opportunities, along with offering internships at their workplaces. (Para 6.12)

Mentorship

30. The Committee notes the initiatives being undertaken by the Department to provide mentorship to startups. Further, it notes that the MAARG (Mentorship, Advisory, Assistance, Resilience, and Growth)

platform provides a one-stop platform to facilitate mentorship for startups across diverse sectors, functions, stages, geographies, and backgrounds. The Committee observes that since the launch of MAARG in November, 2022, only 800+ mentors and 1000+ startups i.e. merely 1% of startups have been onboarded on the portal. The Committee urges the Department to ensure that the startup community is aware of the national mentorship platform and are enabled to avail the guidance of the mentors on board the MAARG platform. The number of mentors needs to be increased given the volume and size of the startup community. Collaboration with Industry associations may also be established to ensure robust mentorship and networking ecosystems for startups. (Para 6.15)

31. The Committee believes that facilitating connections between startups and mentors and investors who can offer valuable guidance and support is crucial for their development and success. The Committee hopes that the various flagship programmes of the Government will cater to mentorship needs of startups. The Committee recommends that the government's existing initiatives on providing mentorship should be closely monitored to ensure effective and high-quality mentorship is being offered to startups. This proactive approach will enhance the overall impact of these initiatives and benefit the startup ecosystem. (Para 6.16)

Research & Development

32. The Committee appreciates the amendment to clause No. ix under Schedule VII of the Companies Act to allow contribution to incubators, public funded Universities, IITs, National Laboratories and Autonomous Bodies be considered under CSR and support startup infrastructure. The Committee hopes that this step will certainly help in boosting the startup infrastructure. (Para 6.22)

33. The Committee recommends that the Department should encourage partnerships between startups and research institutes for collaborative innovation and R&D partnerships, for an accelerated pace of innovation and economic growth. The private sector may be encouraged to invest in these collaborative research ventures. The Department may hold workshop/events to facilitate networking and connections between stakeholders to ensure collaborative research and innovation. The Department may also identify barriers to such collaboration and address them. The Government may consider introducing R&D tax credits for startups to further incentivize innovation in startups and improve competitiveness of startups. (Para 6.23)

Incubators

34. The Committee notes the vital role played by incubators in helping startups grow from an early-stage idea to a company. The Committee appreciates the various initiatives taken under Startupindia to establish a robust incubator framework in the country. During the deliberations, stakeholders made a reference to an innovation ecosystem called T-HUB, a public-private partnership venture by the Government of Telangana in Hyderabad. The Committee acknowledges the remarkable contribution of T-Hub to the startup ecosystem in the country. The Committee stresses the need to replicate this model in other states as well. The Committee recommends that, under the Startupindia initiative, other State Governments may also be encouraged to establish such integrated Incubation Centres, through public private partnership to create a vibrant innovation and startup ecosystem.

(Para 6.25)

Intellectual Property Rights

35. The Committee notes the steps taken for institutional strengthening and process digitalisation to improve Intellectual Property Rights (IPR) framework in the country. The Committee also notes the cumulative increase in filing of Trademarks, Patents and Designs over the years. However, the Committee is concerned that despite sustained efforts; only 11% of the 9,412 patent applications filed by startups have been granted patents. The Committee, therefore, recommends the Department to investigate the reasons behind the less percentage of patent grants compared to the applications and the reasons may be furnished to the Committee along with remedial measures taken to expedite the grants.

(Para 6.29)

36. During its deliberations with the stakeholders, the Committee learnt that most startups are unaware of the IP process and how to effectively utilise IP laws in the initial stages. The Committee feels that there is a necessity to raise awareness among startups regarding IP laws as well as handhold them to navigate the IPR framework in order to avail the IP protection and benefits without delays. The Committee recommends the Department to conduct workshops /events to raise awareness among startups regarding IP laws and processes. The Committee hopes that 'IP Mitra' concept introduced by the office of Controller General of Patents, Designs, and Trade Marks (CGPD TM) will help in alleviating the hurdles being faced by the startups in navigating the IP regime to a great extent.

(Para 6.30)

ROADMAP AND PLANS FOR THE FUTURE

37. The Committee while appreciating the measures taken by the Government to build the future of India's startup ecosystem expresses concern that the measures lack specific targets and review mechanism. The Committee desires that these measures should have specific milestones and timelines; and that periodic review should be done to assess the progress and impact of the initiatives. (Para 7.2)

CREATION OF A SINGLE IMPLEMENTING BODY

38. The Committee notes that 42 Ministries /Departments/ Bodies are overseeing the implementation of various startup schemes/initiatives/ programmes in the country. The Committee opines that such distribution of implementation responsibilities across Ministries for startups leads to lack of coordination, confusion amongst the stakeholders as well as delayed implementation of the schemes. There is a need to streamline all the active startup schemes/initiatives/programmes under a single implementing body. Therefore, the Committee recommends the Department to establish a single implementing body to effectively oversee and manage the entire startup ecosystem. This step will usher in the much needed synergy in the startup ecosystem. The Committee further recommends the establishment of a robust grievance mechanism to address issues in real-time and provide timely resolutions. (Para 8.4)

CONCLUSION

39. The Committee feels that it is vital to have a mechanism in place to assess the health of the ecosystem in terms of successful startups and failed startups and the reasons thereof. This mechanism will help to improve and customise the current schemes/programmes for startups as well as guide in formulating new policies targeting the needs of startups especially early stage startups and arrest their failure. (Para 9.4)

40. The Committee is positive that regular evaluation and adjustment of the short-term and long-term government measures for the startups guided by the insights/recommendations outlined in the Report will help India's startup ecosystem soar to new heights. (Para 9.6)

ANNEXURES

Annexure-I

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

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 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 recognised 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 recognized startups.

4. 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.

5. Promoting Onshoring Indian Innovation: Supported by various measures undertaken by the Government to promote funding to startups, many Indian banks have also started catering to startups as a separate client category owing to their unique needs. The Government has also 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). The mandate of IFSCA is to create a world class international financial center to enable onshoring of the activities that are currently carried out in offshore financial centres by Indian corporate entities. Through such measures, the IFSCA is actively engaged in promoting onshoring of Indian innovation i.e. redomiciling Indian startups currently domiciled abroad to the GIFT City.

6. 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.

7. 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.

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 recognised 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. 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 17 countries that provides a soft-landing platform for startups from the partner nations and aid in promoting cross collaboration.

11. 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.

12. 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.

13. Exemption for the Purpose Of Clause (VII)(b) of Sub-section (2) of Section 56 of the Act (2019): ADPIIT recognised startup is eligible for exemption from the provisions of section 56(2)(viib) of the Income Tax Act.

14. Startup India Showcase: Startup India Showcase is an online discovery platform for the most promising startups of the country chosen through various programmes 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.

15. 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.

16. 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.

17. 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.

18. 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, Govt. Connect, International Market Access, Regulatory Support, Startup Champions on Doordarshan and Startup India Showcase, etc.

19. 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.

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

21. Startup India Innovation Week: The Government organizes 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.

Annexure-II

The State-wise details of the recognised startups in the Country

(as on 30th April 2023)

States	2016	2017	2018	2019	2020	2021	2022	2023	Grand Total
Andaman & Nicobar Islands	0	1	2	8	5	13	9	5	43
Andhra Pradesh	4	96	156	173	231	296	382	216	1,554
Arunachal Pradesh	0	0	2	2	0	4	9	8	25
Assam	8	33	66	67	119	187	284	115	879
Bihar	1	46	143	151	256	389	524	264	1,774
Chandigarh	7	20	25	39	53	69	81	41	335
Chhattisgarh	11	53	116	158	153	163	237	126	1,017
Dadra and Nagar Haveli and Daman	0	4	1	3	5	12	12	4	41
Delhi	59	700	1,130	1,361	1,752	2,161	2,567	1,082	10,812
Goa	2	18	43	41	66	80	106	35	391
Gujarat	23	274	423	578	866	1,694	2,274	1,225	7,357
Haryana	24	246	468	684	801	1,054	1,331	553	5,161
Himachal Pradesh	0	8	16	28	41	56	119	49	317
Jammu and Kashmir	2	13	43	37	64	132	170	79	540
Jharkhand	2	35	83	88	162	190	239	109	908
Karnataka	55	811	1,158	1,648	1,724	2,137	2,563	984	11,080
Kerala	23	155	315	638	692	919	1,077	432	4,251
Ladakh	0	0	0	0	1	0	4	2	7
Lakshadweep	0	0	0	0	1	0	0	1	2
Madhya Pradesh	6	100	282	326	422	555	895	424	3,010
Maharashtra	82	1,028	1,590	2,095	2,657	3,683	4,801	2,045	17,981
Manipur	0	3	7	5	12	36	31	14	108
Meghalaya	0	0	2	5	0	9	10	6	32
Mizoram	0	0	2	1	1	2	6	3	15
Nagaland	1	4	2	2	5	7	7	11	39
Odisha	4	104	160	183	277	387	450	218	1,783
Puducherry	0	3	15	10	13	17	30	7	95
Punjab	7	27	63	91	145	240	295	138	1,006
Rajasthan	13	135	237	344	490	614	991	466	3,290
Sikkim	0	1	0	2	1	3	2	1	10
Tamil Nadu	40	246	444	593	753	1,095	1,805	964	5,940
Telangana	20	299	492	589	796	972	1,377	612	5,157
Tripura	0	0	2	7	23	11	27	12	82
Uttar Pradesh	23	379	758	864	1,363	1,961	2,572	1,138	9,058
Uttarakhand	3	42	68	97	114	161	236	93	814

West Bengal	8	168	262	298	390	680	999	400	3,205
Grand Total	428	5,052	8,576	11,216	14,454	19,989	26,522	11,882	98,119

Annexure-III

The number of recognized startups performing in various sectors (as on 30th April, 2023):

Industry	Number of Startups
Advertising	730
Aeronautics Aerospace and Defence	959
Agriculture	5,088
AI	1,635
Airport Operations	10
Analytics	660
Animation	102
AR VR (Augmented + Virtual Reality)	503
Architecture Interior Design	556
Art and Photography	335
Automotive	2,091
Biotechnology	283
Chemicals	897
Computer Vision	232
Construction	4,241
Dating Matrimonial	84
Design	655
Education	6,219
Enterprise Software	1,752
Events	389
Fashion	1,398
Finance Technology	3,085
Food and Beverages	4,832
Green Technology	2,157
Healthcare and Lifesciences	9,174
House-Hold Services	680
Human Resources	2,119
Indic Language Startups	295
Internet of Things	1,465
IT Services	11,690
Logistics	455
Marketing	1,920
Media and Entertainment	1,493
Nanotechnology	154
Non- Renewable Energy	1,732
Not Specified	3,593
Other Specialty Retailers	678
Passenger Experience	14
Pets and Animals	261
Professional and Commercial Services	4,761
Real Estate	866

Industry	Number of Startups
Renewable Energy	2,586
Retail	2,258
Robotics	508
Safety	304
Security Solutions	1,014
Social Impact	596
Social Network	678
Sports	473
Technology Hardware	3,129
Telecommunication & Networking	928
Textiles and Apparel	1,457
Toys and Games	238
Transportation & Storage	1,531
Travel and Tourism	1,524
Waste Management	652
Total	98,119

Annexure-IV

The following specific measures have been taken by the Government to promote women entrepreneurship across the country:

- i. **Women Capacity Development Programme (WING)** is a unique Capacity Development Program for women-led startups, to identify and support both aspiring and established women entrepreneurs in their startup journeys. The workshops served as a platform for emerging women entrepreneurs and other stakeholders to discuss the key challenges facing women entrepreneurs. A total of 24 workshops were conducted across 9 States, benefitting more than 1,300 women entrepreneurs.
- ii. States' Startup Ranking (SRF) was launched in 2018 as a capacity building exercise has a dedicated pillar in each of its editions for assessment of States and UTs in their measures for promoting women entrepreneurship.
- iii. National Startup Awards (NSA): All four editions of the NSA (2020, 2021, 2022 and 2023) have featured a special category and award for women-led startups. NSA recognizes and promotes startups across 20 sectors and special categories
- iv. Virtual Incubation Program for Women Entrepreneurs were conducted in collaboration with Zone Startups to support 20 women-led tech startups with pro-bono acceleration support for 3 months.
- v. Startup India Hub: A webpage dedicated to women entrepreneurs has been designed on the Startup India portal. The page includes various policy measures for women entrepreneurs by both Central and State Governments.
- vi. ASCEND Startup Workshops: DPIIT organized a series of startup workshops - ASCEND (Accelerating Startup Calibre & Entrepreneurial Drive), for the entrepreneurs, aspiring entrepreneurs, and students from North-eastern region in November-December 2022. Dedicated workshops and mock pitching session were held to help women channelize their ideas and provide them with a platform to amplify their voice.
- vii. Women Entrepreneurship Platform (WEP): The Government launched WEP in 2018 as an aggregator platform with the aim to overcome information asymmetry in the women entrepreneurial ecosystem. By showcasing all existing initiatives and providing domain knowledge it works towards empowering both prospective and present women entrepreneurs.
- viii. SuperStree Podcast: With a vision to inspire a greater number of women across all regions in India to become entrepreneurs, the SuperStree video podcast series has been launched on women in the Indian Startup Ecosystem. More than 8 podcasts have been released to spread awareness related to innovations from women and to further strengthen women entrepreneurship in the country.
- ix. Through its various awareness programmes and capacity building programmes organized by the Government, and through print media and social media platforms, the Government also creates awareness about the existing schemes

which support micro, small and medium entrepreneurs, including women entrepreneurs.

- x. 5 out of the 75 Bioincubation centres of BIRAC (under BioNEST& EYUVA schemes) are dedicated centres for women entrepreneurs that provide incubation space and mentoring (business, IP, legal) specifically to women students/scientists/entrepreneurs as well as support women Self Help Groups (SHGs). Over 200 women led projects have been supported under various BIRAC schemes.
- xi. BIRAC's WInER Award fellowship (Women In Entrepreneurial Research), in partnership with TiE-Delhi NCR. Under this award programme, women entrepreneurs working on ideas that impact large sections of the society are awarded Rs. 5 lakhs each along with other benefits including mentoring, handholding, an opportunity to go through an intensive accelerator programme.
- xii. Under SAMRIDH Scheme of MeitY, it has a dedicated women led accelerators named Zone Startups supporting the cohort of women led startups.

Assessment Parameters for the States' Startup Ranking Framework 2018-2021

Details of the Assessment Parameters for 2021:

- i. Institutional Support
 - a. Access to Information through State Startup Portal
 - b. Online translation feature to local language(s) on State Startup Portal
 - c. Access to unified web-platform for startups to submit requests or grievances
 - d. Number of women-led startups receiving special incentives
 - e. Number of State Government departments providing institutional support to startups
- ii. Fostering Innovation and Entrepreneurship
 - a. Number of unique startups registered
 - b. Number of rules, regulations, Acts introduced or amended to support startups in disruptive sectors
 - c. Number of programmes undertaken in Higher Education Institutions (HEIs) to support student entrepreneurs
 - d. Number of unique grassroots or innovations with rural impact supported
- iii. Access to Market
 - a. Relaxations in the criteria to increase participation of startups in public procurement
 - b. Programs undertaken to encourage the participation of startups in public procurement activities
 - c. Programs undertaken to provide product showcase opportunities to startups (for corporates, industry associations, and other private stakeholders)
 - d. Unique startups availing public procurement related relaxations/exemptions/ programmes
 - e. Unique startups awarded purchase orders or work orders
- iv. Incubation Support
 - a. Number of new incubators set-up or existing incubators upgraded
 - b. Number of startups receiving incubation support
 - c. Capacity utilisation of State-supported incubators
 - d. Number of startups which enrolled in acceleration programmes
- v. Funding Support
 - a. Access to Seed Funds or Venture Funds or Fund of Funds established by the State government
 - b. Number of unique startups which have received funding through State supported funds or mechanisms
 - c. Number of programmes undertaken to connect startups with private funds or investors
- vi. Mentorship Support

- a. Number of startups connected with mentors through State supported mechanisms
 - b. Average number of hours spent by mentor per startup in a month
- vii. Capacity Building of Enablers
 - a. Number of sensitization workshops conducted for officials of State Government departments on startup ecosystem of India
 - b. Percentage of State-supported incubators trained through capacity development workshops
 - c. Number of programmes conducted to sensitize potential investors (including family businesses, corporate houses and entrepreneurs) on investment in startups

Annexure-VI

The details of 57 key regulatory reforms undertaken for startup ecosystem :

Reserve Bank of India

1. Startup enterprises permitted to access loans under External Commercial Borrowing Framework up to USD 3 million.(Oct, 2016)
2. A Securities and Exchange Board of India (SEBI) registered Foreign Venture Capital Investor (FVCI) may contribute up to 100%of the capital of an Indian company engaged in any activity mentioned in Schedule 6 of Notification No. FEMA 20/2000, including startups irrespective of the sector in which it is engaged, under the automatic route. (Aug, 2017)
3. An Indian startup having an overseas subsidiary, may open a foreign currency account with a bank outside India for the purpose of crediting to it foreign exchange earnings out of exports/ sales made by the said entity and/ or the receivables, arising out of exports/ sales, of its overseas subsidiary. (June, 2016)
4. SOFTEX form filed by software exporters moved online. (Feb, 2019)
5. Under FDI Policy, tenure of Startup has been aligned with DPIIT Notification dated 19th February,2019 for the purpose of definition of convertible notes. (March 2022)
6. RBI has rationalised the reporting process in Single Master Form (SMF) on FIRMS Portal for Foreign Investment in India. (January 2023)

Securities and Exchange Board of India (SEBI)

7. Lock in period for investments made by an Angel Fund reduced to 1 year from 3 years as amended by the SEBI (Alternative Investment Funds) (Amendment) Regulations,2016, w.e.f. 04-01-2017.
8. Angel Funds are allowed to invest in overseas venture capital undertakings upto 25% of their investible corpus in line with other AIFs as provided by the SEBI (Alternative Investment Funds) (Amendment) Regulations, 2016, w.e.f. 04-01-2017.
9. The upper limit for number of angel investors in a scheme is increased from forty nine to two hundred as amended by SEBI (Alternative Investment Funds) (Amendment) Regulations, 2016,w.e.f. 04-01-2017
- 10.The requirements of minimum investment amount by an Angel Fund in any venture capital undertaking is reduced from fifty lakhs to twenty five lakhs as amended by SEBI (Alternative Investment Funds) (Amendment) Regulations, 2016,w.e.f. 04-01-2017
- 11.“Operating Guidelines for Alternative Investment Funds in International Financial Services Centres” issued by SEBI. (Nov, 2018)
- 12.Under AIF Regulations, definition of Startup has been aligned with DPIIT Notification dated 19th February,2019 for the purpose of investment by Angel Funds in Startups (5th May,2021)

13. The SEBI (Alternative Investment Fund) (Second Amendment) Regulations 2021 removes the list of restricted activities or sectors from the definition of Venture Capital Undertaking i.e. Category 1 AIFs can now invest in NBFCs. (5th May 2021)

Ministry of Corporate Affairs

14. The financial statement, with respect to private company (if such private company is a start-up) may not include the cash flow statement. (June, 2017)
15. A private company, which is considered as a start-up for a period of five years from the date of its incorporation, is also allowed to accept deposits from members without any restriction on the amount. (Sep, 2017)
16. Startup defined for the purpose of Companies Act, 2013: As per the definition, a start-up company means a private company incorporated under the Companies Act, 2013 and recognised as a “start-up” in accordance with the notification issued by the Department for Promotion of Industry and Internal Trade. (June, 2017)
17. Exemption from procedural compliance (e.g. such as issue of an offer circular or creation of a deposit repayment reserve) for raising deposits from shareholders. (June, 2017)
18. In relation to a private company (if such private company is a startup), the annual return shall be signed by the Company Secretary, or where there is no Company Secretary, by the Director of the company. (June, 2017)
19. A private company (if such private company is a startup) is required to conduct at least one meeting of the Board of Directors in each half of a calendar year and the gap between the two meetings is not less than ninety days. (June, 2017)
20. Name Reservation for Company incorporation: Rule 8, Companies (Incorporation) Rules, 2014 substituted with Companies (Incorporation) 5th Amendment Rules, 2019, which provides for new regulations on resemblance with an existing company name, new categories of undesirable names of a company and list of words which can be used only after obtaining approval. (May, 2019)
21. Amendment in Companies (Share Capital and Debentures) Rules, 2014: The Ministry of Corporate Affairs issued a notification on 16th August, 2019 increasing the period in which ESOPs could be granted to promoters and directors (holding more than 10% equity) of Startups, from 5 years to 10 years from the date of incorporation and thereby aligned the provisions of the Companies (Share Capital and Debentures) Rules with the provisions referred to in the DPIIT notification dated 19th Feb, 2019.

The notification also enhanced the limit on shares with Differential Voting Rights in the Company from 26% of the total post-issue paid up equity capital of the Company to 74% of the total voting power. Further, the condition for the company to have consistent track record of distributable profits for the last three years for issue of DVR shares has been removed. (August 2019)

22. Corporate Social Responsibility Funds: In reference to section 135 of the Companies Act 2013, Schedule VII has been amended to include Contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and contributions to public funded Universities, Indian Institute of Technology (IITs), National Laboratories and

Autonomous Bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), Department of Science and Technology (DST), Ministry of Electronics and Information Technology) engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs). (October 2019).

23. As part of Government of India's Ease of Doing Business (EODB) initiatives, the Ministry of Corporate Affairs has launched a new integrated Web Form christened 'SPICE+' replacing the existing SPICE form. SPICE+ would offer 10 services by 3 Central Govt Ministries & Departments (Ministry of Corporate Affairs, Ministry of Labour & Department of Revenue in the Ministry of Finance) and One State Government (Maharashtra), thereby saving as many procedures, time and cost for Starting a Business in India and would be applicable for all new company incorporations w.e.f. 23rd February 2020. SPICE+ has two parts: Part A-for Name reservation for new companies and Part B offering a bouquet of services viz. (i) Incorporation (ii) DIN allotment (iii) Mandatory issue of PAN (iv) Mandatory issue of TAN (v) Mandatory issue of EPFO registration (vi) Mandatory issue of ESIC registration (vii) Mandatory issue of Profession Tax registration (Maharashtra) (viii) Mandatory Opening of Bank Account for the Company and (ix) Allotment of GSTIN (if so applied for) (February 2020)
24. Amendment in Companies (Share Capital and Debentures) Rules, 2014: The Ministry of Corporate Affairs issued a notification on 05th June, 2020 increasing the period in which Sweat Equity shares, from 5 years to 10 years from the date of incorporation and thereby aligned the provisions of the Companies (Share Capital and Debentures) Rules with the provisions referred to in the DPIIT notification dated 19th Feb, 2019. (June 2020)
25. Amendment in Companies (Acceptance of Deposits) Rules, 2014: The Ministry of Corporate Affairs issued a notification on 07th September, 2020 increasing the period of issuance of convertible note, from 5 years to 10 years from the date of issue and thereby aligned the provisions of the Companies (Acceptance of Deposits) Rules, 2014 with the provisions referred to in the DPIIT notification dated 19th Feb, 2019. (September 2020)
26. Amendment in Companies (Acceptance of Deposits) Rules, 2014: The Ministry of Corporate Affairs issued a notification on 07th September, 2020 whereby the maximum limit in respect of deposits to be accepted from members by a private company shall not apply to a start-up company for 10 years from the date of its incorporation, instead of 5 years. (September 2020)
27. Incorporation of One Person Companies (OPCs) by allowing OPCs to grow without any restrictions on paid up capital and turnover, allowing their conversion into any other type of company at any time, reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days and also allow Non-Resident Indians (NRIs) to incorporate OPCs in India. (February 2021)
28. Amendment in Insolvency and Bankruptcy Code, 2016: The Ministry of Corporate Affairs issued a notification on 30th August, 2022 harmonizing the definition of startup with the DPIIT notification dated 19th February 2019. (August 2022)

Ministry of Finance
Department of Revenue

29. In the case of a domestic company, where its total turnover or the gross receipt in the previous year does not exceed two hundred and fifty crore rupees, income tax shall be charged at the rate of 25 percent of the total income. (Feb, 2018)
30. Definition of eligible business as stated in Section 80-IAC aligned with Startups definition. (April, 2018)
31. Introduction of Section 54EE in the Income Tax Act, 1961: Exemption from tax on long-term capital gain if such long-term capital gain is invested in a fund notified by Central Government. The maximum amount that can be invested is Rs 50 lakh. (May, 2016)
32. Amendment in Section 54GB of Income Tax Act: Exemption from tax on capital gains arising out of sale of residential house or a residential plot of land if the amount of net consideration is invested in prescribed stake of equity shares of eligible Startup for utilizing the same for purchase of specified asset. (Feb, 2016)
33. Minimum Alternate Tax credit allowed to be carried forward up to fifteenth assessment years instead of ten assessment years. (2017)
34. Exemption under section 80-IAC of Income Tax Act: Exemption to eligible Startup for any 3 consecutive assessment years out of 7 years (earlier 5 years) beginning from the year in which such eligible Startup is incorporated. (April, 2018)
35. Exemption from tax under the provisions of section 56(2)(viib) to Startups for issue of shares above fair market value on the basis of a self-declaration to the Central Board of Direct Taxes. The aggregate amount of paid up share capital and share premium of the startup after issue or proposed issue should not exceed Rs. 25 crore (Feb, 2019)
36. Taxation of convertible notes - Period for which a bond, debenture, debenture-stock or deposit certificate was held prior to conversion shall be considered for determining the period of holding of such shares or debentures acquired upon conversion. (March, 2016)
37. Amendment in Section 54GB of Income Tax Act w.e.f 1st April 2020: (August 2019)
 - i. The condition of minimum holding of 50% of share capital or voting rights in the start-up relaxed to 25%
 - ii. Extension of period under which benefit under section 54GB from for sale of residential property can be availed up to 31st March, 2021
 - iii. Condition restricting transfer of new asset being computer or computer software is to relaxed from 5 years to 3 years w.e.f. 1-4-2020
38. Amendment in Section 79 of Income Tax Act (August 2019): Eligible Startups to carry forward their losses on satisfaction of any one of the two conditions:
 - i. Continuity of 51% shareholding/voting power or
 - ii. Continuity of 100% of original shareholders carrying voting power
39. Pass through of losses allowed to Investment Funds i.e. Category I and II AIF similar to pass through of income. These amendments will take effect from the 1st April, 2020 and

will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years (August 2019)

40. The investment made by Venture Capital Fund of Category-I AIF in a startup was exempted from the applicability of the provisions of section 56(2)(viib) of the IT Act. This exemption has been extended to all sub-categories of Category-I AIF and Category-II AIF via introduction of “specified funds” in the said section (August 2019)
41. The Finance Act 2020 provides for amendment in section 80-IAC of the Income-tax Act relating to special provision in respect of specified business. The provisions of section 80-IAC, inter alia, provide for a deduction of an amount equal to hundred per cent. of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years vis-à-vis the earlier norm of seven years at the option of the assessee and the total turnover of its business does not exceed hundred crore rupees in the previous year relevant to the assessment year for which deduction under this section is claimed. This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-2022 and subsequent assessment years. (Feb 2020).
42. The Finance Act 2020 provides for amendment in section 80-IAC of the Income-tax Act relating to special provision in respect of specified business. The provisions of section 80-IAC, inter alia, provide for a deduction of an amount equal to hundred per cent. of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years at the option of the assessee and the total turnover of its business does not exceed hundred crore rupees vis-à-vis the earlier norm of twenty-five crore rupees in the previous year relevant to the assessment year for which deduction under this section is claimed. This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-2022 and subsequent assessment years. (Feb 2020)
43. The Finance Act 2020 provides for amendment in sections 156, 191 and 192 of the Income Tax Act laying to enable employees receiving specified security or sweat equity share as perquisite under section 17(2)(vi) of an eligible startup referred to in section 80-IAC, to deduct or pay, as the case may be, tax on such income within fourteen days after the expiry of forty-eight months from the end of the relevant assessment year; or from the date of the sale of such specified security or sweat equity share by the assessee; or from the date of the assessee ceasing to be the employee of the person, whichever is earlier, on the basis of rates in force of the financial year in which the said specified security or sweat equity share is allotted or transferred. This amendment will take effect from 1st April, 2020. As per the earlier norms, the said perquisite including ESOPs were taxed in the hands of the employee at the time of exercise of the option. (Feb 2020)
44. The Finance Bill 2021 provides for extension of the eligibility period to claim tax holiday for the startups by one more year. (Feb 2021)
45. The Finance Bill 2021 provides for extension of claiming Capital gains exemption for investment in startups by one year i.e. till 31 March, 2022. (Feb 2021)
46. The Finance Bill 2022 provides for extension of the eligibility period to claim tax holiday for the startups by one more year. (Feb 2022)

47. The Finance Bill 2022 capped the surcharge on the long term capital gain at 15% for unlisted companies from existing 37%. The effective rate of tax has been reduced from 28.5% to 23.9%. (Feb 2022)
48. The Finance Bill 2023 provides for extension of the eligibility period to claim tax holiday for the startups by one more year. (Feb 2023)
49. The Finance Bill 2023 enables startups to set off and carry forward losses for a period of 10 years vis-a-vis 7 years under section 79 of the Income Tax Act 1961. (Feb 2023)
50. The Finance Bill 2023 capped the surcharge on the long term capital gain at 25% for unlisted companies from existing 37% under the new tax regime. The effective rate of tax has been reduced from 42.74% to 39.0%. (Feb 2023)

Department of Economics Affairs

51. The Ministry of Finance now allows non-government provident funds, superannuation, and gratuity funds to invest up to 5 percent of their investible surplus in Category I and II Alternate Investment Funds (AIFs) registered with SEBI. (March 2021).

Insurance Regulatory and Development Authority

52. The Insurance Regulatory and Development Authority of India (IRDAI) has allowed insurance companies to invest in Fund-of-Funds (FoF) that invest within the country subject to certain conditions. (April 2021).

Department of Expenditure

53. Harmonization of Startup Definition under the Manual for Procurement of Consultancy and other Services with the DPIIT notification dated 19th February 2019.

Ministry of Labour and Employment

54. The Ministry of Labour and Employment now allows EPFO to invest up to 5 percent of their investible surplus in Category I and II Alternate Investment Funds (AIFs) registered with SEBI. (April 2021)

Ministry of Electronics and Information Technology

55. Removal of clause from Electronic Development Fund (EDF) operating guidelines stating that if a fund draws from Fund of Funds for Startups, then they cannot draw from EDF and vice versa. (Nov, 2018)

Ministry of Commerce and Industry, Department for Promotion of Industry and Internal Trade

56. Amendment in the definition of a Startup: An entity shall be considered as a Startup upto a period of ten years from the date of incorporation/ registration and turnover of the

entity for any of the financial years since incorporation/ registration has not exceeded one hundred crore rupees. (Feb, 2019)

57. Ministry of Commerce and Industry, Department for Promotion of Industry and Internal Trade vide Gazette Notification No. G.S.R. 646(E). dated 21st September 2021 amended the Patent Rules. The Patent Rules have now extended the benefits related to 80% reduced fee for patent filing & prosecution to Educational institutions as well. (Sept 2021)

Annexure–VII

The details of measures taken by various line ministries, departments, specifically to support startups in critical sectors such as genetics, electronic chip design and space sector are as under:

a) Electronic Chip Design

The Government is cognizant of the fact that India is a global hub for chip design and design services. With thousands of chips designed every year by an exceptional design talent pool making up to 20% of world's semiconductor design engineers in the country, India remains a highly attractive destination for global semiconductor companies with most of the major semiconductor companies present in the country.

Ministry of Electronics and Information Technology (MeitY) has initiated a number of dedicated schemes and programmes to increase the domestic share in chip design area and create a vibrant domestic chip design industry in the country. The Chips to Start-up (C2S) Programme has been launched to create a pool of industry ready manpower, specialized in the areas of Very-Large-Scale Integration (VLSI)/ Chip and Embedded System Design over a period of 5 years at academia, Research and Development (R&D) organizations, startups and Micro, Small and Medium Enterprises (MSMEs) across the country. "ChipIN Centre" has been setup at C-DAC Bangalore, as a one-stop support centre, for providing services for chip design and fabrication; including access to state-of-the-art chip design tools, Multi-project Wafer fabrication services etc.

104 organizations across the country (including 91 Academia/ R&D Organizations and 13 startups/ MSMEs) have been selected for providing support for designing chips in varied application areas under C2S Programme.

To improve innovation-led ecosystem thereby increasing the value-addition in electronics manufacturing in the country, theme based incubation centres to cater domain specific electronic manufacturing were approved by MeitY especially in the area of ESDM, consumer electronics, medical electronics and fabless chip design viz. Electropreneur Park for electronics startups in Delhi-NCR, Consumer Electronics Incubation centre by IIITM-Kerala and KSUM at Cochin incubation Centre, Incubation Centre in the area of ESDM with focus on Medical Electronics at IIT Patna and Fabless Chip Design Incubation Centre at IIT Hyderabad and a Centre of Excellence for Internet of Things at Bangalore. Ministry of Electronics and Information Technology on its part is also implementing the Technology Incubation and Development of Entrepreneurs (TIDE) scheme for promoting innovation by nurturing startups in Information Technology, Communications & Electronics (ICTE) domains.

b) Space Sector

The Government has approved reforms in the space sector aimed at boosting private sector participation in the entire range of space activities. Indian National Space Promotion and Authorization Centre (IN-SPACe) is constituted as an autonomous agency in Department of Space (DoS) for

enabling space activities, as well as, usage of Department of Space owned facilities by Non-Governmental Private Entities (NGPEs) and to permit, regulate, promote, hand-hold, monitor and supervise Space Activities of NGPEs in India.

The Ministry of Defence (MoD) has taken steps to attract new startups in the field of Defence and Space. Technology Development Fund (TDF) Scheme is a programme of MoD executed by Defence Research and Development Organisation (DRDO) under Make in India initiative. The Government has approved TDF Scheme to encourage industries especially MSMEs and startups to develop various defence technologies. The scheme operates in Grants-in Aid Mode.

c) Genetics

The Department of Biotechnology through its various schemes is supporting Biotechnology research and development in our country. To promote R&D and innovations in the biotechnology sector, private companies are incentivized by Biotechnology Industry Research Assistance Council (BIRAC), a specialized central enabling agency under the Department of Biotechnology, to support startups and entrepreneurs in the biotech sector including healthcare (medical devices, diagnostics, biopharma, vaccines, gene therapy, others), Agritech solutions, Nutrition & Food security, Clean energy and Environment, Enzymes & Biofuels etc. BIRAC has created a strong ecosystem and support mechanism across the country to facilitate startups and entrepreneurs in the biotech sector. Schemes like Biotech Ignition Grant (BIG), Students Innovations For Advancement Of Research Explorations (SITARE), Empowering Youth For Undertaking Value Added Innovative Translational Research (EYUVA) provide funding opportunities for entrepreneurs, startups, scholars and scientists to establish proof of concept for their innovative ideas. BIRAC has set up 75 incubation centres across 21 States and UTs of the country to promote and nurture startups and entrepreneurs in the field of Biotechnology. The incubation centers provide access to specialized biotech infrastructure, high end equipment, mentoring, handholding and connects with industry. BIRAC also provides equity funding support to start-ups which have potential for differential growth. It also helps startups to attract investment opportunity from prospective investors. Startups are provided opportunities for networking, connect with technical and business experts, investors and showcasing at various national and international platforms through BIRAC's BioNEST incubators, Regional Centers, Partners etc.

List of Ministries/ Departments with dedicated programmes/ schemes to support startups

S No.	Ministry/ Department/ Organisation	Name of Scheme/ Program
1.	NITI Aayog	Atal Innovation Mission, WEP
2.	Ministry of Defence	iDeX (Innovation for Defence Excellence)
3.	Defence Research and Development Organisation (DRDO)	Technology Development Fund (TDF) Scheme
4.	Department of Agriculture, Cooperation & Farmers Welfare	RKVY RAFTAAR
5.	Department of Animal Husbandry and Dairying	Animal Husbandry Startup Grand Challenge
6.	Department of Fisheries	Fisheries Startup Grand Challenge
7.	Ministry of Ayush	AIIA-ICAINE (Incubation Centre for Innovation and Entrepreneurship), Global Ayush Investment and Innovation Summit (GAIS 2022)
8.	Ministry of Civil Aviation	Innovate for Airports, Drone Policy
9.	Department of Telecommunications	Digital Communication Innovation Square (DCIS) under CSSS, Telecom Startups-MSMEs Mission
10.	Department of Consumer Affairs	Suraksha Store initiative
12.	Ministry of Development of North Eastern Region	NEDFi Opportunity Scheme for Small Enterprises (NoSSE), North-East Venture Fund (NEVF)
13.	Department of Higher Education	Innovation Cell, Smart India Hackathon
14.	Department of School Education & Literacy	Innovation challenge/ Smart India Hackathon
15.	Ministry of Electronics and Information Technology	MeitY Startup Hub, TIDE, SAMRIDH, STPIs
16.	Ministry of Environment, Forests & Climate Change	Eco Alternatives Expo and Startup Conference
17.	Ministry of External Affairs	Startup20, programmes by foreign missions
18.	Ministry of Finance	Standup India (DFS), Regulatory reforms, fund management, regulatory sandboxes
19.	Ministry of Food Processing Industries	Food Processing Incubation Center
20.	Ministry of Health & Family Welfare	Innovation Summit, programmes/ innovation under Ayushman Bharat Digital Mission
21.	Ministry of Housing and Urban Affairs	City Innovation Exchange
22.	Ministry of Information and Broadcasting	National Entrepreneurship Award (NEA), Startup Champions on Doordarshan
23.	Ministry of Jal Shakti	Artificial Intelligence (AI) driven Start-Up initiative
24.	Ministry of Labour and Employment	Shram Suvidha Portal, regulatory reforms
25.	Ministry of Micro. Small & Medium	ASPIRE, SRI Fund, CGTMSE, ESDP, Intl

	Enterprises	Cooperation
26.	Ministry of New & Renewable Energy	NISE
27.	Ministry of Petroleum & Natural Gas	Start-Up Fund programme by PSUs
28.	Ministry of Railways	Indian Railway Innovation Policy, StartUps for Railways
29.	Ministry of Rural Development	DAY-NRLM, Start-up Village Entrepreneurship Programme (SVEP), Community Resource Persons- Enterprise Promotion (CRP-EP), Rural Self Employment Training Institutes (RSETIs)
30.	Department of Biotechnology	BIRAC
31.	Department of Science & Technology	NIDHI and TBIs
32.	Ministry of Skill Development & Entrepreneurship	Pradhan Mantri 'YUVA 'Yojan
33.	Ministry of Social Justice & Empowerment	Seniorcare Ageing Growth Engine (SAGE)
34.	Department of Space	IN-SPACe, Space Tutor, Grand Challenge
35.	Ministry of Textiles	Incubation centres in Apparel Manufacturing
36.	Ministry of Tourism	Brochure Support, National Digital Tourism Mission
37.	Ministry of Tribal Affairs	Going Online as Leaders (GOAL), Tribal Entrepreneurship Development
38.	Ministry of Women and Child Development	Women entrepreneurship programmes, Mahila E-haat
39.	Ministry of Youth Affairs and Sports	National Youth Policy
40.	Ministry of Earth Sciences	Startup incubation centres in Hyderabad and Vadodara
41.	Ministry of Power	Powerthon-2022, startup policy/programmes by PSUs
42.	Office of PSA	Agnii
