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## IMPORTANCE OF GOVERNMENT SCHEMES FOR NEW INNOVATIVE START-UPS IN INDIA

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### ABSTRACT

“Take up one idea. Make that one idea your life, think of it, dream of it, live on that idea, let the brain, muscles, nerve, every part of your body be full of that idea and just leave every other idea alone. This is the way to success”.

- Mr. Narendra Modi, Prime Minister of India

The ‘start-up culture’ has been started in the country for the past couple of years and push the people to choose to start-up their own SMEs. A start-up is a company, which is in the first stage of its operations and attempts to capitalize on developing a product or service for which they believe there is a demand. Start-ups may be small companies, but they are playing a significant role in the economic development of the country. Start-ups are to develop an entrepreneurship culture in the country. Start-ups have a direct impact on the cities that they make their homes. They create new products or services, creation of wealth, better standards of living, increase in GDP, more employment and ultimately, they contribute to improve a lot to the development economy. In this paper, an attempt is made to enlist the important schemes introduced by the government of India for the development of start-ups.

With the ever-increasing demand for consumer products, start-ups are more feasible and lucrative to manufacture them within the country. The government has launched a variety of start-up schemes to encourage more and push more people to start their own businesses. In January 2016, Prime Minister of India launched Start-up India Initiative. Though the government of India has floated 49 start-up schemes up to 2019, here listed out some important and most viable start-up schemes. They are -- 1) Micro Units Development and Refinance Agency (MUDRA), 2) NABARD - providing credit benefits to agriculture as well as other cottage and village industries, 3) Credit Guarantee Scheme (CGS), 4) Stand Up India Scheme, 5) NewGen Innovation and Entrepreneurship Development Centre, 6) Atal Innovation Mission (AIM), 7) Credit Linked Capital Subsidy Scheme (CLCSS), 8) SMILE – The SIDBI Make in India Soft Loan Fund for MSMEs provides soft loans to MSME, 9) Loan for Rooftop Solar PV Power Projects by IREDA, 10) Modified Special Incentive Package Scheme (M-SIPS), 11) ASPIRE – A scheme for promoting Innovation and Rural Entrepreneurship, and 12) Venture Capital Assistance (VCA) Scheme for the welfare of farmer-entrepreneur to develop their agri-business. Now India is graceful to see a sizeable increase in the number of start-up ventures through these schemes.

**Keywords:** Entrepreneurship, Start-up, Innovation, Incubation.

### Introduction

The ‘start-up culture’ has been started in the country for the past couple of years and push the people to choose to start-up their own SMEs. With over 8000 start-ups in the last year, NASSCOM reported that there has been a whopping 108% increase in the Start-up sector in our country. India is now 3rd, after US and UK in the global start-up ecosystem. A start-up is a company, which is in the first stage of its operations and attempts to capitalize on developing a product or service for which they believe there is a demand. Start-ups may be small companies, but they are playing a significant role in the economic development of the country. Start-ups will develop an entrepreneurship culture in the country. They create more jobs which means more employment, and more employment means an improved economy. Not only that, start-ups can also contribute to economic dynamism by spurring innovation and injecting competition. New entrepreneurs can bring new ideas to the table, much needed to stir innovation and generate competition.

### Importance of Start-ups

There is no doubt that start-ups are important for development of economy of a nation. The goal of Start-up is to develop and innovate new products and services and increase the employment rate in India. Start-ups will create more jobs, creation of wealth, better standards of living, increase in GDP, produce new goods and services and ultimately, they contribute to improve the development of economy. Start-ups have a direct impact on the cities that they make their homes. Look at how Infosys has changed Bangalore, Alibaba impacted Hangzhou, Microsoft changed Redmond and Google transformed Mountain View, California. All these companies are started as small one, but as they grew, and they transformed the cities as metropolis where they established. They improved employment patterns providing job opportunities to both experienced and young professionals. This led to surge in inflow of graduates and relocation of experienced professionals from different cities. These start-ups boosted the economy with revolutionary



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technology and created new industries over time. And when they went public, they truly became money-making engines for not just the owners but also for the employees and shareholders.

### Initiatives of Indian Government

The Prime Minister of India launched Start-up India Initiative in January 2016. It changed the definition of a start-up in terms of the scale and the horizon. Government of India is gradually moving towards the start-up ecosystem. The idea is to increase wealth and employability through increasing entrepreneurial spirit. The Government has created an entire ministry dedicated to help new businesses in order to boost entrepreneurship development. These initiatives are promoting start-ups in India.

### The Schemes Introduced by the Government of India

The government has launched a variety of start-up schemes and loans to encourage more and more people to start their own businesses. The start-ups act as magnets to attract foreign investments and boost the economy. These schemes for idea-stage entrepreneurs/researchers, early-stage start-ups and growth-stage companies and they have been introduced over a period of time and many of these were introduced before the launch of Start-up India plan. But most of the entrepreneurs are either not aware of these different schemes or do not have a clear idea on how to avail them. Some schemes for start-ups to reduce the imports and give boost to innovation and entrepreneurship.

Though there are many schemes available, some of the important and most viable start-up schemes presented here. The schemes are -- 1) Micro Units Development and Refinance Agency (MUDRA), 2) NABARD - providing credit benefits to agriculture as well as other cottage and village industries, 3) Credit Guarantee Scheme (CGS), 4) Stand Up India Scheme, 5) NewGen Innovation and Entrepreneurship Development Centre, 6) Atal Innovation Mission (AIM), 7) Credit Linked Capital Subsidy Scheme (CLCSS), 8) SMILE – The SIDBI Make in India Soft Loan Fund for MSMEs provides soft loans to MSME, 9) Loan for Rooftop Solar PV Power Projects by IREDA, 10) Modified Special Incentive Package Scheme (M-SIPS), 11) ASPIRE – A scheme for promoting Innovation and Rural Entrepreneurship, and 12) Venture Capital Assistance (VCA) Scheme for the welfare of farmer-entrepreneur to develop their agri-business. A glance of these schemes are as follows:

1. **MUDRA** – The Micro Units Development and Refinance Agency or MUDRA, is a flagship program by the government of India to provide funds to Micro and Small Enterprises. What sets MUDRA apart from other loan schemes, is the fact that no collateral is required to avail this loan. It is applicable for manufacturing, trading, and even allied agricultural services. It has 3 modules, Shishu (loan up to 50,000), Kishor (Loan between 50,000 and 5 lakh) and Tarun (Loan between 5 lakh and 10 lakh).
2. **NABARD** – The National Bank for Agriculture and Rural Development, or NABARD, is primarily aimed towards providing credit benefits to agriculture as well as other cottage and village industries. It also provides finance to lending institutions in villages. With schemes for food processing plants and integrated rural development, NABARD works in conjunction with the RBI to implement and regulate financial assistance in rural areas. Its Dairy Entrepreneurship Development Scheme offers up to 90% of the project cost (minimum 10 lakhs to maximum 150 lakhs) to budding entrepreneurs.
3. **Credit Guarantee Scheme** – The CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) was set up by the Government of India to provide business loans to Micro and Small Industries, with zero collateral. This means that new and upcoming start-ups can avail loans at highly subsidised interest rates without providing any security. Working along with SIDBI (Small Industries Development Bank of India), the government provides a maximum amount of up to 100 lakhs under this scheme, for boosting new enterprises as well as rehabilitating existing ones. Primarily for manufacturing units, this loan can be availed in the form of working capital or term loan.
4. **Stand Up India Scheme** – It is launched in 2016 and it was implemented to cater to women entrepreneurs, as well as those who belong to SC and ST communities. It is available for Greenfield ventures in manufacturing, trading, and service units, ranging from 10 lakh to 100 lakhs. Under this scheme, it is mandatory for every bank to lend money to at least one-woman entrepreneur and one SC/ST unit per branch. In case of non-individual businesses, the woman entrepreneur must hold at least a 51% of contribution in the unit. The loan can be provided as working capital with a maximum return period of 7 years.
5. **NewGen IEDC** – It was introduced last year, the NewGen Innovation and Entrepreneurship Development Centre (IEDC) is applicable to industries like healthcare services, chemicals, hardware, aeronautical/defence, IT, construction, design, food and beverages, textiles, nanotechnology, and renewable and non-renewable energy sources. It provides a one-time non-recurring loan of up to 25 lakhs to finance start-up units.
6. **Atal Innovation Mission (AIM)**, headed by the Atal Innovation Mission, the Atal Incubation Centres provide grant-in-aid of Rs. 10 Cr to every AIC. The duration of the grant is a maximum of 5 years. Set up under the NITI Aayog, the purpose of AICs will be to provide financial aid and infrastructure assistance to different start-ups in sectors like chemicals, technology hardware, healthcare, aeronautics/aerospace & defence, agriculture, AI, automotive, telecommunication & networking, construction, design, renewable and non-renewable energy, green technology, fintech, IoT, nanotechnology, and food &



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beverages, among others. Conducting training and entrepreneurship workshops, organizing inspirational programs, enabling access to necessary infrastructure, prototyping or research facilities, as well as creating a group of mentors to guide the entrepreneurs, are some of the tasks that an AIC is expected to perform.

7. **CLCSS** – Under MSME, the Credit Linked Capital Subsidy Scheme is a means to provide subsidy to manufacturing units who have upgraded their machinery with state-of-the-art equipment. This scheme is meant to encourage manufacturing units to buy the latest equipment and facilitate technology upgradation. The way this works is that any SSI unit which has upgraded its machinery can apply for a 15% subsidy on a loan amount of up to one crore.
8. **SMILE** – The SIDBI Make in India Soft Loan Fund for Micro, Small, and Medium Enterprises provides soft loans to MSME units at reasonable terms, to meet the debt-equity ratio of a unit or to help in its growth and expansion. The loan is applicable for a maximum period of 3 years. The amount disbursed varies on the category of the unit falls under, with 10% or a maximum of 20 lakhs for General category, and 15% or a maximum of 30 lakhs for SC/ST and women.
9. **Loan for Rooftop Solar PV Power Projects** – Headed by the Indian Renewable Energy Development Agency (IREDA), this scheme promotes renewable energy development by providing support for solar PV projects on rooftops. The IREDA will provide 70% of the project cost, while the entrepreneur will contribute the remaining 30% of the amount. In some projects, where the unit has great track record, higher benefits, and more productivity, the IREDA may extend the loan amount to 75% of the project cost. The loan has to be repaid in a maximum of 9 years.
10. **M-SIPS** – The Modified Special Incentive Package Scheme provides capital subsidies to manufacturing and electronic units in sectors of technology hardware, IoT, automotive, renewable and non-renewable energy sources, nanotechnology, green technology, and aerospace and defence industries. Under this scheme, there's a provision for 20% capital subsidy in SEZ, and 25% in non-SEZ, for business units in manufacturing and electronics.
11. **ASPIRE** – A scheme for promoting Innovation and Rural Entrepreneurship to promote rural livelihood incubator, technology business incubator and fund of funds. The government has made continuous efforts to improve social and economic life in rural areas of India. Since 56% of the Indian population lives in rural areas, the government is promoting entrepreneurship and innovation in this area. ASPIRE aims at increasing employment, reducing poverty and improving innovation in rural India. However, the main idea is to promote the agro-business Industry. The Ministry of Medium and Small Enterprises has tried to get economic development at the grassroots level.
12. **Venture Capital Assistance (VCA) Scheme** - The Small Farmer's Agri-Business Consortium (SFAC) has launched the scheme named Venture Capital Assistance (VCA) Scheme for the welfare of farmer-entrepreneur to develop their agri-business which is approved by the banks, financial institutions regulated by the RBI. This scheme intends to assist in the form of the term loan to the qualifying projects of the farmers to meet their capital requirements for the implementation of the project. VCA promotes training and visits of agri-entrepreneurs in setting up agribusiness projects. The quantum of loan will be 26% OR 40% (for hilly region) of the promoter's equity. The maximum amount of loan provided under this scheme will be Rs.50 lakhs.

The above schemes are floated by the Indian government to support the Indian start-ups, SMEs, MSMEs, Businesses, Research Institutes, Incubators, Accelerators, etc.

## Conclusion

India seems to be going towards the era of entrepreneurship. Start-ups can change the world and more and more start-ups will grow with innovation and creativity in the coming years. Entrepreneurship is the only way to enhance the economic growth of a nation. And a small idea can be termed into big innovative solution which can change your future. The government is promoting these schemes not only to increase the number of people who are getting the benefits but also to highlight the work they have done in the last 5 years. In the next 10 years, we can have equal number of successful start-ups as of USA's. If you have an idea, don't block your dreams because of fear of failure and taking risk. Develop your idea into start-up and contribute to the growth of our nation. So, let us all play our role in nurturing the entrepreneurship ecosystem wherever we live and make our contribution in building towards a prosperous society.

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