

Study of Start-up Incentives in Promoting the Start-ups in Uttar Pradesh

Swati Gautam

Research Scholar

Dayalbagh Educational Institute

Agra, Uttar Pradesh, India.

Abstract

As we know the Start-up program which is started by the central government for promoting self-employment. It is run by ‘The Ministry of Commerce and Industry’. The purpose of this program is to develop a business model with innovation and further improvement of products & services. According to Department for Promotion of Industry and Internal Trade (DPIIT), states like Maharashtra, Karnataka, New Delhi, Uttar Pradesh, and Gujarat have the highest number of start-ups. The objectives of the policy are to develop and promote an attractive business ecosystem in Uttar Pradesh by offering congenial, business-friendly, progressive reforms, initiatives, and unique value propositions, nourish entrepreneurship and innovation by providing inputs to start-up incubators, and centers of excellence while generating employment opportunities for the youth in state lead digital improvement through the creation of citizen center services whereby welfare is generated across all sectors of society and promote human capital development and infrastructure development by mean of IT Cities, IT Parks, and IT Business Process Management units.

Keywords

Start-up program, Business ecosystem, Entrepreneurship, Start-up incubators, and Digital improvement.

1. Introduction

Businesses frequently use the term “Start-up” as a very popular or fashionable word. But despite common opinion, the start-up term is not exclusively used to describe persistent tech companies but they are, in general, companies that satisfy the points below:

- Those companies that incorporated more than 30 workers.
- Those companies which were funded by advance lending from outside investors or boots trappers. Financed by outside investors, bootstrapping or loans, etc.

- These companies are still not considered grown-up companies because they are not equipped to be obtained and experienced rapid growth or fall. Mainly there are five essential types of start-ups and each has a different or unique strategy for scaling. Below are the types:
 - 1.1. Self-established start-ups.
 - 1.2. Buyable start-ups.
 - 1.3. Expandable start-ups.
 - 1.4. Outgrowth start-ups.
 - 1.5. Community start-ups.

1.1 Self-established Start-ups

These types of start-up companies are normally self-sustained and self-funded which is designed to produce revenue in its starting day, doing functions at their own pace without getting investments, started by regular people to work with an existing model of business. The most appropriate words for defining these self-established small business start-ups are that they are self-reliant and independent companies consisting of small teams. The bigger endpoint for most businesses is some form of acquisition or financial infusion. That's why small business start-ups are different. These entrepreneurs, which range from sole proprietorships and partnerships to small teams, and are content to remain start-ups as they market their goods and services. They also develop at their rate even though they are interested in progress. Since these firms are frequently self-funded or bootstrapped, there is less need to scale up right away or satisfy the demands of investors right away. The ideal examples include grocery stores, hair salons, bakeries, and travel agencies.

1.2 Buyable Start-ups

These types of start-ups are usually associated with the technology and software industry. The main goal behind these types of start-ups is to generate a product in the market and then intended to be sold to a larger company. Buyable start-ups are not intended to grow into billion-dollar businesses. Alternatively, they are made to be sold to big corporations for millions of dollars. This represents that investors face a significant risk from it but business owners facing the challenge of trying to sell off a failing company face greater risk. They are constantly raising their start-ups from crowd funding and angel funding.

Giants like Amazon and Uber purchase start-ups to grow and profit from them over time. For example, Ola acquired TaxiForSure and Ibibo acquired redBus, etc.

1.3 Expandable Start-ups

These firms typically scale themselves consistently without using a traditional exit strategy. These start-ups are also known as scalable start-ups. Scalable start-ups are meant to be huge from the beginning. These start-ups are appropriate for those people who have complete knowledge of the market and the capacity to quickly and effectively seek further market opportunities. They have the potential to grow their revenue while lowering incremental costs. The majority of entrepreneurs think their goals and missions will change the world. The best and the brightest are hired by these start-ups. They used to seek out additional venture capitalists to expand their business. For example, Google, Facebook, Uber, and Twitter.

1.4 Outgrowth Start-ups

These types of start-up companies are created by owners of large companies or existing companies. These are typically a small subset of larger corporations. These companies are also known as off-shoot start-ups or spin-off start-ups. For offshoot start-ups, starting from scratch is not always an option. They are established independently from noteworthy parent companies. These are also known as self-explanatory startups. Companies that split off from bigger corporations simply mean that not all types of start-ups are started from the ground. Simply putting into meaning that these types of start-ups spin off from bigger parent corporations for becoming their entities. They can operate freely and experiment with new things without much scrutiny or attention.

1.5 Community Start-ups

Community start-ups are also known as social start-ups whose main aim is to fulfil social missions. Social start-ups are those entrepreneurs who are creating non-profit organizations and charitable companies and combining them with the pursuit of profit-making, but their ultimate objective is to help and improve the environment. Making the world a better place is the only goal of social start-up entrepreneurs. They are initiating the route towards wealth creation to improve the world. Prime examples of community start-ups are Facebook, Netflix, and Airbnb, etc.

2. Review of the Literature

- **Mittal and Garg (2018)** analyzed that the Start-up India program launched by the government of India offers several benefits to start-up units just as tax exemptions, easy access to funding, simplified compliance procedures, and faster exit procedures and incubation facilities.
- **Casanova et al. (2017)** outlined the government programs and schemes that support market innovation by providing debt and equity financing. Numerous nations had put in place programs to finance entrepreneurial businesses using grants, debt financing, or venture capital.
- **Garg (2016)** studied the difficulties and obstacles faced by Indian start-ups as consisting of the lack of resources in terms of facilities, skilled employees, finance, and absence of mentorship. The study concludes that start-ups are leading innovations, but they required government support and motivation to do so. He also found a positive relationship between growth and government initiatives provided for start-ups.
- Despite the government launch of various programs, schemes, supports, benefits, and policies promoted for start-ups, there is not enough awareness. **Agarwal (2015)** identified that even though entrepreneurship is now gaining ground quickly in India. Further, raising awareness needs to be done among the people. Especially, in rural and impoverished areas about entrepreneurship and providing support systems for creating their own business ventures or start-up units in the country.
- **Guan and Yan (2015)** studied the impact of specific government fiscal incentives special loans and tax credits which have a positive influential effect on businesses' ability to innovate economically and the performance of firms. It was discovered that no government financial incentive was linked to the patents of either high-tech or non-tech companies.

3. Need of the Study

For a fast-growing economy like India, start-up units are vital for making more organizations to coming towards for World's most uplifted economy registered start-ups. Researchers have explained the Financial Incentives, judged the impacts of special loans & tax credits, and also studied the problems of start-ups like lack of infrastructure, competent employees, finance & absence of mentorship but they have not discussed all kinds of incentives provided by the government & utilities of all these in promoting start-up. The purpose of this research paper is to study the incentives provided by the government for promoting start-ups and to know how to use these incentives for contributing towards economic growth in the country.

4. Objectives of the Study

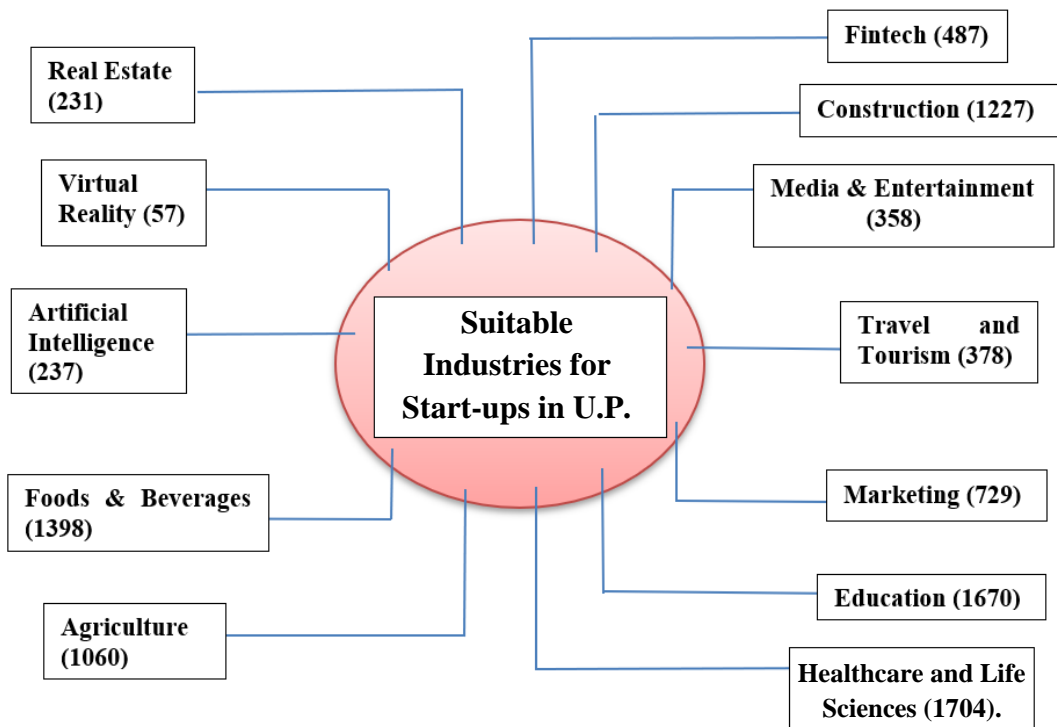
- 4.1 To study the different kinds of incentives provided by the government for promoting start-ups.
- 4.2 To know the usefulness of incentives in promoting start-ups.

5. Research Methodology

The information used in the research paper was collected from research papers, journals, magazines, reports, and other related websites which mainly focused on start-up incentives in promoting start-ups from the year 2016 to the present in Uttar Pradesh.

6. Suitable Industries for Start-ups in Uttar Pradesh

By exploring towards the best start-up industries not only assist you to recognize the industry you connect with but can provide you the direction with a better opportunity for success in emerging industries. The diagram below represents the number of start-ups in Uttar Pradesh in suitable industries.



Source: www.startupindia.gov.in

Figure 1:- Suitable Industries for Start-ups in Uttar Pradesh

Table 1:- Total Number of Industries Registered for Start-ups in Uttar Pradesh

S. No.	Industries	Total Number of Registered Start-ups in the U.P.	Names of Start-ups
1.	Fintech	487	Tiptalk (Noida), Kirana Pe Technology Pvt. Ltd. (Lucknow), JV LLP (Noida), Finswealth (Varanasi), Sindhuja Microcredit Pvt. Ltd. (Gautam Buddha Nagar) etc.
2.	Construction	1227	Techpine Engineering Pvt. Ltd. (Noida), Bhojpur Construction (Lucknow), Grano Infra Pvt. Ltd. (Noida), Massive Infratech Pvt. Ltd. (Sonbhadra), Shonestar Infratech Pvt. Ltd. (Ghaziabad) etc.
3.	Media and Entertainment	358	Answer Ventures Pvt. Ltd. (Allahabad), WAAHTV (Lucknow), EVS Digital (Gautam Buddha Nagar), Dancebuzz (Noida), MEMETA (Noida), etc.
4.	Travel and Tourism	378	Redgotrip Pvt. Ltd. (Allahabad), Karyana: Self Drive (Noida), Tunis Solution Pvt. Ltd. (Varanasi), Bizcorp Hospitality Pvt. Ltd. (Lucknow), Ap2 Tourism & Hospitality Pvt. Ltd. (Etawah) etc.
5.	Marketing	729	Nehi Organics World Llc (Gautam Buddha Nagar), Aadya Associates (Gorakhpur), SGI (Nau), Happy Services (Firozabad), Digital Marketing Pvt. Ltd. (Noida) etc.

S. No.	Industries	Total Number of Registered Start-ups in the U.P.	Names of Start-ups
6.	Education	1670	Dayanand Consultancy Services Pvt. Ltd. (Kanpur), Gyansagar (Gautam Buddha Nagar), Ambitio (Noida), Kurukshetra (Allahabad), Enchanted Solutions (Allahabad), etc.
7.	Healthcare & Life Sciences	1704	SS Medical Solutions (Ghaziabad), Shiva Sales (Ghaziabad), HHA Healthcare Pvt. Ltd. (Noida), Quantum Nutrition (Gautam Buddha Nagar), Meddics Hospital (Lucknow), etc.
8.	Real Estate	231	Raza Infra Projects Pvt. Ltd. (Gautam Buddha Nagar), Realestment (Ghaziabad), Oxy Estate (Noida), NDJ colonisers Pvt. Ltd. (Gautam Buddha Nagar), Shreema Infrarealty Pvt. Ltd. (Varanasi) etc.
9.	Virtual Reality	57	Mythyaverse Pvt. Ltd. (Noida), Metaweds (Mirzapur), Innotekverse Pvt. Ltd. (Ghaziabad), NEXXR (Lucknow), Rising Sun Software (Noida), etc.
10.	Artificial Intelligence	237	WEU Technologies (Noida), AIINOVA Technology Pvt. Ltd. (Noida), CRABO AI (Lucknow), JIVATU Technologies Pvt. Ltd. (Ghaziabad), Qligence Capital (Noida), etc.
11.	Foods & Beverages	1398	Bootup Foods And Beverages Pvt. Ltd. (Ghaziabad), Healthybox (Lucknow), JOLLYTOP (Ghaziabad), FITBITE (Gautam Buddha Nagar), Ikaya Earth (Noida), etc.

S. No.	Industries	Total Number of Registered Start-ups in the U.P.	Names of Start-ups
12.	Agriculture	1060	Vedic Agrovvet (Firozabad), Premium Farms (Allahabad), Bharat Techno farms LLP (Bareilly), Anjani Sheetalaya International Pvt. Ltd. (Hardoi), Smartkisan Bio And Chemicals Pvt. Ltd. (Jhansi) etc.

Source: www.startupindia.gov.in

7. Incentives Provided by Central Government for Promoting Start-up India Program in Uttar Pradesh

1. **Simple Procedure-** For easy registration of start-ups, anyone can set up their start-up unit by filling up the form which is available on the website and uploading all the required documents. The government of India made it easy to fill the entire process online which saves time as well as money. For making it reachable to the needy person, the government launched a mobile app as well as a website for start-up units.
2. **Cost Abatement-** With the help of facilitators of trademarks and patents, the government reduces the extra cost incurred by the start-up units. These facilitators will come up with high-quality IPRS (Intellectual Property Right Services) and provide speedy inspection of patents at lower fees. On behalf of the facilitator, the government will bear all the fees and the units will bear only the statutory fees. They will get an 80 percent reduction in the cost of filing patents.
3. **Easy Access to Available Funds-** For availing 10,000 crore rupees fund which is set up by the government to provide funds to the start-up units as venture capital. The government has assured the lenders for motivating banks and other financial institutions for providing venture capital.
4. **Tax Holiday Exclusion-** The government of India will be exempted the start-up units from income tax for 3 years and with a certificate from the Inter-Ministerial Board (IMB).
5. **Tender Registration-** Start-up units can appeal for government tenders. They are exempted from the “prior experience/turnover” criteria applicable for normal companies answering government tenders.

6. **Research & Development Facilities-** To facilitate the research & development sector, GOI will establish seven new research parks.
7. **Less Time-consuming Laws-** To liberate time and money, the Government of India provides various compliances which have been simplified for start-ups. Start-ups shall be allowed to self-certify compliance (through the Start-up mobile app) with 9 labor and 3 environment laws.
8. **Tax Saving for Investors-** People investing their capital gains in the venture funds set up by the government will get an exemption from capital gains. This will help start-ups to attract more investors.
9. **Freedom to Choose Investors-** Government will provide an option for start-ups to choose between the VCs, giving them the liberty to choose their investors.
10. **Easy Winding up-** In case of winding up of start-ups – A start-up can close its business within 90 days from the date of application of winding up.

8. The Usefulness of Government Incentives for Start-ups

Prime Minister Narendra Modi unveiled a slew of incentives to boost start-ups in January as part of the Start-up India Initiative. A corpus of Rs. 10,000 crore corpus for innovation-driven enterprises, and Rs. 500 crores per year credit guarantee mechanism and a 3-year break from paying income tax on profits were introduced. Capital gains tax exemption for start-ups was also introduced along with a range of incentives which are enumerated below.

8.1 Action Plan for Start-ups- An action plan to help entrepreneurs, play a transformative role in India's development was unveiled. Businesses to date had to comply with various central and state laws about labor and the environment. Non-compliance with these laws would result in severe penalties and fines. To do away with these complex procedures, start-ups would now be able to self-certify their compliance requirements with nine labor and environmental laws without being inspected periodically as is the norm currently and receive faster approvals. Compliance would be checked only if there is a written complaint against the start-up.

Start-ups will obtain an 80 percent rebate in patent registration fees compared to other companies to protect intellectual property. Start-ups are high-risk ventures and about 90 percent of start-ups fail currently. In case, a start-up fails, working off a faster exit arrangement is also taken place in case an entrepreneur wants to close his business. A business would be able to wind up within 3 months and for this purpose, suitable provisions will be made in the Bankruptcy and Insolvency Bill in the parliament.

8.2 Tax Exemption- “Entrepreneur-friendly taxation regime” would be introduced for start-ups to ease the tax burden on them. Tax exemption under three different schemes has been provided as part of the action plan. According to Budget 2016, it has been proposed to insert a new Section 54EE to provide an exemption from capital gains tax if the long-term capital gains proceeds are invested by an assessee in units of specified funds subject to the condition that the amount remains invested for three years failing which the exemption shall be withdrawn. It permits the limit of investment in the units of the fund is up to Rs. 50 lakhs. It also proposes to amend section 54GB to provide relief to an individual willing to set up a company by selling a residential property to invest in the shares of such a company. The section would provide that long-term capital gains arising on account of the transfer of a residential property are tax-free if the investments of such capital gains in subscription of shares of a company that qualifies to be an eligible start-up.

A start-up would be eligible to obtain these exemptions only after obtaining certification from the Inter-Ministerial Board, which has been instituted for this purpose. This board would assess the innovative nature of the business to grant the exemptions. A detailed note on the eligibility criteria for start-ups. To provisions that are in sync with the current trend of start-ups wherein the usage of technology is primarily with computer software and hardware for the core asset base owing to the nature of the business activity, amending section 54GB in which the expression “new asset” includes computers or computer software in case of technology-driven start-ups so certified by the Inter-Ministerial Board of Certification.

8.3 Other Incentives- Other incentives include a new scheme for intellectual property rights protection and faster registration of patents. The government also intends to set up facilitation centers for the provision of free legal advice and other support to small businesses to help them with compliance requirements. Procurement norms are also proposed to be relaxed to ensure that start-ups can participate and compete with established businesses. Policies to enable women entrepreneurs, sector-specific incubators and the establishment of bio clusters for the biotech sector are some of the other highlights. Incubators’ investments that are above the fair market value are exempt in line with the current exemption available to venture capital funds to invest in start-ups above the FMV. Funding support up to Rs. 10 crores to set up new incubators while individual states and the private sector would provide 40 percent and 20 percent respectively.

9. Conclusion

The paper analyses the support provided by the government for start-ups in the state of Uttar Pradesh. Many schemes have been initiated for creating a start-up ecosystem in the state. Incentives like tax exemption to ease the burden on start-ups, various central and state laws to labor and environment, the faster registration process of applying for patents, free legal advice to small businesses, etc. are some of the initiatives taken by the government to support start-up units registered. For availing these initiatives by start-up units, the government must introduce awareness programs to entice high net-worth start-up units around the state and it will also help the start-ups to overcome in delaying of implementation of the schemes by knowing ourselves. To sum up, the government has recognized the importance of establishing start-up units and introduced many schemes like Pradhan Mantri Mudra Yojana, ZED Certification Scheme, etc. to support the start-ups in Uttar Pradesh. This will lead to establishing of a vibrant start-up ecosystem in Uttar Pradesh, which will contribute to economic growth in terms of reducing unemployment, creating a better standard of living, developing new ways of investment opportunities, export promotion, and better outsourcing of services, etc.

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