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A Study On Startup Schemes - By Ministry Of Electronics And Information Technology, Government Of India

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Abstract

Honorable Prime minister Narendra Modi announced startup India on January 26, 2016 which is one of best schemes to develop and encourage the budding entrepreneurs to build the strong and stable business. A startup is an entrepreneurial venture which is typically a freshly emerged, rapidly-growing business that purposes to meet a market required by developing or offering an innovative and extraordinary products, process or services. The study is in descriptive research in nature. The present study majorly focus on the startup schemes (SIP-EIT, MGS & TIDE)by Ministry of Electronics and IT, GOI, which are available for the startups welfarement and also shed some lights on these schemes so that those who are not aware of these schemes or not clear about these schemes, let's entrepreneurs have a clear view on these schemes.

Keywords : Startup, SIP-EIT, MGS, TIDE

Introduction

Definition of Startup

An entity shall be considered as a Startup:

a) 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; and

b) Up to seven years from the date of its incorporation/ registration; however, in the case of Startups in the biotechnology sector, the period shall be up to ten years from the date of its incorporation/ registration; and

c) If its turnover for any of the financial years since incorporation/ registration has not exceeded Rupees 25 crores; and

d) If it 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 any such entity formed by splitting up or reconstruction of a business already in existence shall not be considered a 'Startup' (**Ministry Of Commerce And Industry, Notification,** New Delhi, the 23rd May, 2017).

Process of Recognition

The process of recognition as a 'Startup' shall be through an online application made over the mobile app/portal set up by the Department of Industrial Policy and Promotion. Entities will be required to submit theonline application along with the Certificate of Incorporation/ Registration and other relevant details as may be sought. Startups also have to submit a write-up about the nature of business highlighting how is it working towards innovation, development or improvement of products or processes or services, or its scalability in terms of employment generation or wealth creation. (**Ministry Of Commerce And Industry, Notification,** New Delhi, The 23rd May, 2017).

Tax Benefits

In order to obtain tax benefits, a Startup should –

i. Be a private limited company (as defined in the Companies Act, 2013) or a limited liability partnership (as defined under the Limited Liability Partnership Act, 2008)

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which is incorporated on or after the 1st day of April, 2016 but before the 1st day of April, 2019, and

ii. Be working towards innovation, development or improvement of products or processes or services, or should be a scalable business model with a high potential of employment generation or wealth creation, and
iii. Obtain a certificate of an eligible business from the Inter-Ministerial Board of Certification as constituted by Department of Industrial Policy and Promotion from time to time.

Objectives of this paper

This paper aims to study different startup schemes which have been introduced by the Ministry of Electronics and Information Technology, GOI. More specifically, this paper tries to give a detailed picture about the SIP-EIT, MGS & TIDE to make aware or give clarity on these schemes to budding entrepreneurs.

Research Methodology

The research methodology majorly concerned with descriptive research methodology. Data is collected through primarily from journals, articles, online database and especially from ministry electronics and Information technology, GOI website.

Startup Schemes By Ministry Of Electronics And Information Technology, Government Of India

Scheme 1: "A Scheme to Provide Financial Support for International Patent Protection by MSMEs and Technology Startup Units"

Objectives

The scheme titled "Support for International Patent Protection in E&IT (SIP-EIT) – II" for Micro, Small and Medium Enterprises and Technology Startup Units is an initiative of Department of Electronics & Information Technology (DeitY), MCIT, GOI to facilitate MSMEs and Technology Startup units for international patent filing by providing financial support so as to encourage innovation and recognize the value and capabilities of global IP along with capturing growth opportunities in ICTE sector.

Time period

The scheme is for a period of 5 years i.e. upto 30.11.2019.

Eligibility Criteria

I. The Applicant should be registered under the MSME Development Act 2006 of Government of India as amended from time to time as a MSME unit as per the criteria for such registration(the applicant would be required to furnish the proof of such registration) Or
II. The applicant should be a registered company under the Companies Act of Government of India and should fulfill the investment limits in plant and machinery or equipment as defined in the MSME Development Act 2006 of Government of India as amended from time to time (this criteria will be ascertained from the proof of such registration and last audited balance sheet of the applicant). Or
III. The applicant should be a registered STP Unit and should fulfill the investment limits in plant and machinery or equipment as defined in the MSME Development Act 2006 of Government of India as amended from time to time(this criteria will be ascertained from the proof of such registration and last audited balance sheet of the applicant).Or
IV. The applicant should be a technology incubation enterprise or a startup located in an incubation centre/ park and registered as a company (a certification from the incubation centre/ park in this case is mandatory) and should fulfill the investment limits in plant and machinery or equipment as defined in the MSME Development Act 2006 of

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Government of India as amended from time to time(this criteria will be ascertained from the proof of such registration and last audited balance sheet of the applicant).

Acceptance Criteria

I The applicant should have already filed a patent application with complete specification for the said invention with Indian Patent Office or have taken waiver under Section 39 of Indian Patent Act.

II. Invention must be in the Electronics/ICT technology domain.

III. The application must be accompanied by prior art search report from a reputed agency like ISA for PCT application or a registered IPR attorney firm having an experience of at least 5 years in handling international patent applications orIPFCs set up by Ministry of MSME or Patent Information Centres set up by the Department of Science and Technology.

IV The patent applications are to be processed through an Indian patent attorney firm having an experience of at least 5 years in handling international patent applications.

V The applicant can apply for the support at any stage of international patent filing. However, reimbursement will only be applicable to expenditures incurred from the date of acceptance of complete application by DeitY subject to approval of competent authority. Reimbursement will be limited to a total of Rs 15.0 Lakhs per invention or 50% of the total expenses incurred in filing and processing of patent application upto grant whichever is lesser.

VI In respect of ownership of the patent, the application filed in the name of owner may also be considered and the applicant may be asked to assign it to the company after DeitY's approval to provide support under SIP-EIT-II scheme, however the individual at the time of applying under SIP-EIT-II scheme must be an existing employee or should be in the Board of Directors of the same company on the date the application for international patent is made.

VII To disseminate the benefits of the scheme in an equitable manner, only 5 applications per financial year with a total of 25 applications during the scheme period of December 2014 to November 2019 will be considered for reimbursement from a single applicant.

VIII Options for filing International Patents: The applicant can choose either the PCT route or Paris Convention or can file directly in a foreign country of innovator's choice after satisfying the requirements of Section 39. However, the applicant needs to furnish justification for the choice of route and of country/countries in which a patent application is filed.

IX All application received till date while the scheme is in operation will be also considered for reimbursement subsequent to the closure of the scheme and up to the time the application stands valid for reimbursement.

X One application for foreign filing in all countries for a particular invention will only be considered under the scheme. Extent of Financial Support Reimbursement will only be applicable to expenditures incurred from the date of acceptance of complete application by DeitY, subject to approval of competent authority and will be limited to a total of Rs 15.0 Lakhs per invention or 50% of the total expenses incurred in filing and processing of patent application upto grant whichever is less. The reimbursement will include expenses incurred in filing and processing of foreign applications filed in respect of same invention.

Extent of Financial Support

Reimbursement will only be applicable to expenditures incurred from the date of acceptance of complete application by DeitY, subject to approval of competent authority and will be

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limited to a total of Rs 15.0 Lakhs per invention or 50% of the total expenses incurred in filing and processing of patent application upto grant whichever is less. The reimbursement will include expenses incurred in filing and processing of foreign applications filed in respect of same invention.

Financial Support

Reimbursement of expenses incurred in International Patent Protection(total reimbursement will not exceed Rs 15 Lakhs or 50% of the total expenses, whichever is less) will be in installments and will be disbursed as listed below:

I Applications filed directly in a foreign country after satisfying the requirements of Section 39:

a. 25% of the expenses incurred in Filing of patent application in respective foreign geography will be reimbursed.

b. 75% of the expenses incurred subsequent to filing upto grant will be reimbursed after the grant of the patent.

II Applications filed in a foreign country within 12 months of filing a patent application in India (Convention application) i.e. Applicants having already filed a patent application in India for the said invention and then filed abroad within 12 months as per Paris Convention.

a. 25% of the expenses incurred in Filing of patent application in respective foreign geography will be reimbursed.

b. 75% of the expenses incurred subsequent to filing upto grant will be reimbursed after the grant of the patent.

III Applications filed through the PCT route:

a. 25% of the expenses incurred in filing a PCT application will be reimbursed subject to a positive ISR report. 25% of the expenses involved in the examination will be reimbursed if the examination report is positive.

b. 25% of the expenses incurred in filing national phase application in a foreign country.

c. 75% of the expenses incurred subsequent to National filing upto grant will be reimbursed after the grant of the patent.

Procedure to Apply Online

The procedure to apply online under the scheme is as follows:

Step I) First of all, go through the brochure thoroughly, and make sure that you fall under the eligibility criteria.

Step II) In order to apply, you need to create a Login ID, which would be used in further communications.

Step III) After you have created your user account, you can Login and Apply Online for the Scheme. Before proceeding to apply online, kindly make sure that you have read the Guidelines thoroughly and also checked the List of documents to be uploaded during filling up of the online application form

Scheme 2: Multiplier Grants Scheme (MGS)

Aim

The aim of the scheme is to encourage industry to collaborate with premier Academic and Government R&D institutions (hereafter also called institute) for development of products/packages.

Objectives

The objectives of the proposed scheme are:

i. Establish, nurture and strengthen the linkages between the Industry and Institutes;

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ii. To promote industry oriented R&D at institutes;
iii. Encourage and accelerate development of indigenous products and packages; and
iv. Bridge the gap between R&D / Proof-of-concept and commercialization / globalization.

Scope

The broad eligibility criterion for consideration under the proposed scheme is:

i. The idea for collaborative research should originate from industry/industry consortium, and academic institution(s)/R&D bodies undertaking industry specific research will submit the project proposal jointly with the industry/industry consortium to DeitY under MGS scheme.
ii. The proposal should be for innovation in modules/ products/ packages/ services in the area of E&IT; The proposals envisaging prototyping to package for commercialization may also be considered under the MGS.
iii. The proposal should be in the core area of business of the industry;
iv. The identified institute/ Project investigator should have the requisite expertise and track record in the proposed area; To ascertain the R&D capabilities of institutions taking up collaborative research under MGS,it is pertinent to look into i) level of professional courses in ICTE(B.Tech/M.Tech/PhD) being conducted by them; ii) prior Research Work/projects undertaken; iii)No. of papers published; iv)collaboration with industry if any v) the institution should be in existence for minimum 5 years.
v. The outcome from proposed innovation should promise technical and commercial viability; All the proposals should contain information on market survey of the modules/products/packages/services proposed to be developed;
vi. The industry should have requisite i) manpower for absorption of technology; and ii) infrastructure for production in-house or shall have detailed concrete plans to mobilize the same from elsewhere. For ascertaining the standing of the industry, if required a sub committee of the WG may be constituted.

Resource Provisions

The Scheme is now extended and valid upto 31st March 2020 with a total outlay of Rs. 36 Crores and DeitY contribution of Rs. 24 Crore. The Technology Development Council (TDC) budget head will be used for implementation of this scheme. Based on this pilot implementation and feedback, the scheme would be reviewed by Working Group.

Benefits

The expected benefits from the proposed scheme are:

i. The academic and Government R&D Labs would be geared for market oriented R&D; This would also enhance the relevance of Education and Training to meet the market requirements;
ii. The industry would be enabled in terms of mobilizing technical know-how and skills;
iii. The industry would be enabled to quickly respond to market needs in terms of cost competitive indigenous innovative products;
iv. Incentives, in terms of royalty sharing, may help in attracting and retaining quality manpower in academia/ Government R&D Labs; and
v. Close industry - academia/ R&D Lab interaction may lead to increase in number of entrepreneurs.

Scheme 3: Technology Incubation and Development of Entrepreneurs (TIDE) Scheme

Technology Incubation and Development of Entrepreneurs (TIDE) in the areas of Electronics and ICT.

Aim

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Technological Incubation and Development of Entrepreneurs (TIDE) aims to assist Institutions of Higher learning to strengthen their Technology Incubation Centres and thus enable young entrepreneurs to initiate technology start up companies for commercial exploitation of technologies developed by them.

Objectives

The objectives of the proposed scheme are:

i. Set-up / Strengthen the Technology Incubation Centres and thus nurture technology entrepreneurship development;

ii. Promote product oriented research and development;

iii. Encourage and accelerate development of indigenous products and packages; and

iv. Bridge the gap between R&D and commercialisation.

Scope

Recognizing the importance of Technology Incubation, many institutions of higher learning have already taken initiatives to nurture this activity. These include policy measures, infrastructure support, entrepreneurial training, IPR facilitation, and create a framework to nurture technology incubation.

The incubation centers provide a host of services to new enterprises and facilitate linkages that are congenial for their survival and growth. The centre also network with Angel Investors and Venture Capitalists who provide mentoring and financial support to the start up companies and enable the tenant companies to mature over a period of 2-3 years and graduate to a commercial place to do the actual business. The involvement of the faculty of the institute in the technology start-up activity reinforces teaching and research, strengthens linkages between education and industry, and also better aligns education to meet market requirements.

It is proposed to support such initiatives by providing financial and policy support for strengthening technology incubation activity. This would nurture technology innovation and, in the long run, enable local development of Electronics and IT products and packages.

Implementation Mechanism

The following mechanism will be followed for implementation of the scheme:

Invitation of Proposals

The project proposals for TIDE would be invited (as per the enclosed format) from institutions of higher learning conducting education Programmes of M. Tech/PhD in Engineering and Technology in ICT, Electronics and Management. These include institutions such as IITs, IIMs, NITs, IIITs and other premier institutes. The invitation would also be published on the DeitY website.

Selection Procedure

A Committee set-by the Department shall scrutinize and evaluate the received proposals and recommend to the Department for appropriate financial support. The committee or a designated subcommittee/individual may also conduct a site visit to assess the institute. The selection criteria may include:

i. The quality and level of Education and Research;

ii. Infrastructure, facilities and expertise;

iii. Initiatives for technology entrepreneur-ship development;

iv. Commitment and willingness of the Institute for supporting this activity; and

v. Industrial milieu in the region

The support will be provided subject to the approval of the recommendations by the Department and the acceptance of the Terms and Conditions by the Host Institute (HI).

Financial Support

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Each TIDE center would be given financial support as Grant-in-aid of up to Rs 155 lakhs – payable in instalments. These funds can be used for improvement in infrastructure - up to Rs. 30 lakhs and for providing financial support to the incubating companies – Rs 125 Lakhs (@ Rs 25 lakhs per company). The grants under the proposed scheme would be subject to the enclosed terms & conditions. DeitY would constitute a Project Review and Steering Group (PRSG) for the Scheme. Release of funds to the HI/ TIDE will be done based on the recommendations of PRSG.

Duration of the Scheme

As per the approval, the scheme is extended and valid upto 31st March 2020.

Benefits

The expected benefits from the proposed scheme are:

i. The technology incubation will become a nurturing ground for technology start up companies. This would also enhance the relevance of Education and Training to meet the market requirements;
ii. This would foster innovation in academic institutions and more indigenous products would emerge.
iii. The industry would be encouraged to become product oriented rather than service oriented
iv. Strengthen the academia – industry interaction.

Software Technology Park (STP) Scheme

Software Technology Parks of India was established and registered as an Autonomous Society under the Societies Registration Act 1860, under the Ministry of Electronics & Information Technology, Government of India on 5th June 1991 with an objective to implement STP Scheme, set-up and manage infrastructure facilities and provide other services like technology assessment and professional training.

The objectives of the Software Technology Parks of India are:

(a) To promote the development and export of software and software services including Information Technology (I.T.) Enabled Services/ Bio-IT.
(b) To provide statutory and other promotional services to the exporters by implementing Software Technology Park/ Electronics and Hardware Technology Park Schemes and other such schemes which may be formulated and entrusted by the Government from time to time.
(c) To provide data communication services including value added services to IT / IT Enabled Services related industries.
(d) To promote micro, small and medium entrepreneurs by creating conducive environment for entrepreneurship in the field of IT / IT Enabled Services.

Functions of Software Technology Parks of India

The Software Technology Parks of India performs all functions necessary to fulfill its objectives and include the following:-

(1) To establish Software Technology Parks / centers at various locations in the country;

(a) to perform all functions in the capacity of the successor to the erstwhile Software Technology Park Complex which were taken over by the Software Technology Parks of India
(b) to establish and manage the infrastructural resources such as integrated infrastructure including International communication / Data center / Incubating facilities etc. for 100% export oriented units and to render similar services to the users other than exporters.

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(c) to undertake other export promotional activities such as technology assessments, market analysis, market segmentation as also to organize workshops/exhibitions/seminars/conferences etc.
(d) to facilitate specialized training in the niche areas to meet the above objectives.
(e) to work closely with respective State Government and act as an interface between Industry and Government.
(f) to promote secondary and tertiary locations by establishing Software Technology Parks of India presence to promote Software Technology Park / Electronics Hardware Technology Park Scheme, and promotional schemes announced by Government.
(g) to promote entrepreneurship through incubation programmes / seed funds / IP development and other awareness programmes.
(h) to assist State Governments in formulating IT policies and liaison for promoting the IT industries in respective states to achieve an exponential growth of exports.
(i) to promote quality and security standards in the I.T industries.
(j) to work jointly with venture capitalists for providing financial assistance to the IT industries.
(k) to provide Project Management and Consultancy services both at national and international level in the areas of expertise of Software Technology Parks of India

(2) To perform financial management functions which comprise of the following activities;

(a) to obtain or accept grants, subscription, donations, gifts, bequests from Government, Corporations, Trusts, Organizations or any person for fulfilling the objectives of the Software Technology Parks of India

Note: Whenever any gifts, bequests from foreign Governments/ organizations are accepted / obtained they shall be routed through Government and be regulated by such directions as may be issued by Government.

(b)tomaintain a fund to which shall be credited :

-all money provided by the Central Government, State Governments, Corporations, Universitiesetc.,
-all fees and other charges received by the Software Technology Parks of India
-all money received by the Software Technology Parks of India by way of grants, gifts, donations, benefactions,bequests or transfers; and
-all money received by the Software Technology Parks of India in any other manner or from any other source.

(c) to deposit all money credited to the Fund in Scheduled Banks / Nationalized Banks or to invest in such a manner for the benefit of the Software Technology Parks of India as may be prescribed. At least 60% of the funds shall be placed with the Public Sector Banks or in such a manner as may be prescribed by the Government from time to time.
(d) to draw, make, accept, endorse and discount cheques, notes or other negotiable instruments and for this purpose, to sign, execute and deliver such assurance and deeds as may be necessary for the purposes of the Software Technology Parks of India
(e) to pay out of the funds maintained by Software Technology Parks of India or part thereof, the expenses incurred by the Software Technology Parks of India from time to time including all expenses incidental to the formation and reorganization of the Software Technology Parks of India and management and administration of any of the foregoing activities including all rents, rates, taxes, outgoings and the salaries of the employees.
(f) to acquire, hold and dispose of the property in any manner whatsoever for the purposes of the Software Technology Parks of India, with the prior approval of Governing Council as per the procedure laid down by Government.

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(3) to do all such acts and things as may be required in order to fulfill the objectives of the Software Technology Parks of India.

Conclusion

There are several schemes which have been introduced by many department ,Government of India but those schemes have not come to the light or aware to the public. For exampleSIP-EIT, MGS & TIDE which are a very good initiative taken for the development and encourage the startups by ministry of electronics and Information Technology, GOI.

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