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Ushering the Startup-Revolution, the Indian way: Identifying Impediments and Overcoming obstacles

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Entrepreneurship development in India is the need of the hour. The goal of the paper is to examine the growth of entrepreneurship in India and analyze trends in that field's development. Indian markets have witnessed audacious entrepreneurs entering the market which were primarily ruled by large business tycoons. Some concepts even went so far as to fundamentally alter how everyday business was conducted. The Indian economy has grown phenomenally over the past financial years, even so, it has become an influential epicenter and detrimental to where the world economy will be heading in the future years. Five to ten years ago, after completing high school, a person would obtain a university degree, which would then lead to employment for the duration of their productive lives. Businesses were exclusively intended for those from business families who would carry on the products of their ancestors and somewhat diversify them. Employment generation is also a primary concern. With the launch of new firms, we hope to address several persistent problems, including young unemployment, climate change, health problems, and so on. It is apparent to the Indian government that entrepreneurship development is necessary. The government of India's entrepreneurship initiatives encouraged the expansion of businesses and opened doors for the development of technically sound knowledge, technical skills, and entrepreneurial talent, as a result, India's economic and industrial activities between 2014 and 2019 show significant growth. India's Ease of Doing Business seems to improve through the government's sincere efforts. The paper delves into the various measures to inculcate an entrepreneurial approach among youth and possible ways to ease statutory and regulatory requirements.

Keywords: *entrepreneurship, statutory compliance, regulation, license, relaxation, incubators.*

RESEARCH QUESTIONS

The research article aims at divulging the opinion of the researcher on the following question of interest:

- What is the present scenario of Indian Startup Culture?
- What is the governmental approach to developing and encouraging Startup Culture in the Indian economy?
- How can the Startup Culture be effective in addressing certain socio-economic problems in India?
- Can newly formed Startups compete against the mammoths of the industry?
- What changes can be made in the statutory and regulatory framework to assist Startups?

INTRODUCTION

General Concept of Startups

India is currently the third-largest base for start-ups in the world, according to official data (NASSCOM), with more than 3,000 start-ups already operating there and more than 800 more openings each year. Over 250,000 people would be employed by 11,500 start-ups in India by the year 2022. A startup business, paraphrased as a start-up, is an entrepreneurial endeavor that tries to fill a market gap by creating a workable business plan around a cutting-edge good, service, processor, or platform. A startup is usually a company designed to effectively develop and validate a scalable business model¹. Startups usually have a high rate of failure, but the minority of success includes companies that have become large and influential.² A startup could also be considered as an initial stage of every company, a company may cease to be a startup as it passes various milestones, such as becoming publicly traded on the stock market in an Initial Public Offering (IPO) or ceasing to exist as an independent entity via acquisition or merger³.

¹ Setting up Business Entities and Closure, Institute of Company Secretaries of India 212

² *Ibid*

³ Income Tax Act 1961, s 80

There is a huge role of Intellectual properties in the establishment of startups⁴. Generally, the business model revolves around the promotion, development, and expansion of intellectual property and acquiring market share by revolutionizing the concept or the ordinary way of doing business.⁵ For instance, the fintech startup idea of cashless payment in consumer markets through a mobile application introduced by BharatPe⁶ have changed the way of normal transaction. To survive for the long haul, startups need large capital requirements which are usually fulfilled by investors.⁷ Given that startups work in a high-risk sector, it can be hard to attract investors to support the product/service development or attract buyers.⁸

Initial challenges faced

a. Businesses require licenses and approvals

To carry out their ideas, start-ups may need a variety of licenses, approvals, or permits; otherwise, they risk incurring penalties, acting unethically, or breaking the law. Before starting a business, a person should be aware of the local laws, rules, and regulations as the need for licenses, permissions, and permits may differ from one industry to another. The second problem with licenses is that they can occasionally be difficult to obtain from the government authorities and cost a lot of time and money. Examples of such licenses could be registration certificates, GST registration, FSSAI license, Imex (import-export) code, etc.

b. Issues regarding advertisement and marketing

Advertising false claims, obscene, scandalous, or seditious advertisements may result in serious criminal penalties and damage a company's goodwill and reputation. For start-ups, such errors may be like stepping over a small growing seedling. Marketing and advertising are crucial for

⁴ Kiran R & Jain V, 'Enhancing innovation and intellectual property culture in manufacturing small and medium enterprises' (2019) 6(4) African Journal of Business Management 1234-1243

⁵ *Ibid*

⁶ Manu Balachandran, 'BharatPe redefined India's payment ecosystem. The unicorn now wants to challenge India's banks' (*Forbes India*, 9 September 2021)

<<https://www.forbesindia.com/article/take-one-big-story-of-the-day/bharatpe-redefined-indias-payment-ecosystem-the-unicorn-now-wants-to-challenge-indias-banks/70299/1>> accessed 13 July 2022

⁷ *Ibid*

⁸ *Ibid*

any business, whether it is a start-up or not.⁹ Examples of advertisements¹⁰ that are not allowed include tobacco,¹¹ alcohol¹², and narcotic substances¹³. Similarly, there are regulations imposed by the Indian Medical Council to promote breastfeeding in infancy¹⁴. Firearms and other weapons covered by the Arms Act of 1959,¹⁵ medical services and equipment, matters relating to religion, comparative advertising, and deceptive or misleading advertising are prohibited.¹⁶ Brands cannot even use signs and symbols which are obscene or suggestive of obscenity¹⁷.

c. Data protection and privacy issues

Startups shouldn't access users' private information without their consent or seek permissions that aren't required for their website or application. The privacy of the users should be a priority for startups. It might be done by writing a privacy policy in a succinct, straightforward, and summarized fashion as well as in regional language so that the user may quickly read and comprehend the privacy policy, terms, and conditions before signing in to any program¹⁸. The start-ups should also make a pact with their customers that they won't divulge or utilize their personal information, which will aid the business in obtaining the public's respect and trust.¹⁹

d. Intellectual property rights protection

The heart and soul of each startup are its intellectual property rights.²⁰ A start-up must prioritize protecting its intellectual property rights since many start-ups have a common fear that someone would steal their idea or plan. The start-up should also make sure that what they want to accomplish or sell is already protected, which brings up another concern. so they won't have to

⁹ *Ibid*

¹⁰ Cigarettes and Other Tobacco Products Act 2003, s 4

¹¹ Cigarettes and Other Tobacco Products Act 2003, s 5

¹² Cigarettes and Other Tobacco Products Act 2003, s 6

¹³ Cigarettes and Other Tobacco Products Act 2003, s 7

¹⁴ Indian Medical Council regulations 2002, chapter 6, rule 6.1

¹⁵ Arms Act 1959

¹⁶ *Ibid*

¹⁷ Complaint filed by activist Ekta Naaz Patel against Myntra at Mumbai Cybercrime Cell

¹⁸ Anubhav Gupta, 'India: Legal and ethical issues faced by startups in India' (*Mondaq*)

<<https://www.mondaq.com/india/trademark/1042036/legal-and-ethical-issues-faced-by-the-start-ups-in-india>> accessed 01 April 2022

¹⁹ *Ibid*

²⁰ *Ibid*

deal with issues like trademark infringement or other IP violations after making a significant financial investment in their company.²¹

START-UP INDIA POLICY: BETTER LATE THAN NEVER

Aim and objective

The "Startup India" project, which was unveiled by the Hon'ble Prime Minister on August 15, 2015, intends to promote innovation and entrepreneurship by establishing a startup-friendly ecosystem. Indian policymakers have delayed their response to acknowledge entrepreneurial developments by almost a decade. The Government of India's flagship program, Startup India, aims to create a robust ecosystem for fostering. The nation's innovation and startup ecosystem will promote large-scale, sustainable economic growth and employment possibilities. Government initiatives are focused on enabling startups to expand through innovation and design. It is meant to provide startups with the much-needed push they need to get off the ground and reach new heights. The Hon'ble Prime Minister introduced the Startup India Action Plan on January 16, 2016, to achieve the initiative's goals.

The Startup India Action Plan has 19 tasks that cover a variety of topics, including "Simplification and handholding" "Financial assistance and incentives" and "Partnerships and incubation between industry and academia".

Strategic amendments to existing policies and new policies to help startups

a. Providing financial support for startups

The small Industries Development Bank of India (SIDBI Funds)'s for Startups (FFS) program has a corpus of Rs. 10,000 crores. To invest in equities and equity-linked securities of various Startups, the FFS will contribute to the corpus of Alternative Investment Funds (AIFs). Small Industries Development Bank of India (SIDBI), for which operational guidelines have been

²¹ *Ibid*

developed, is in charge of managing the FFS. 500 crores of rupees were released for the FFS corpus in 2015–16.

b. Credit guarantee funds for startups

A Credit Guarantee Fund for Startups is being established with a budgetary corpus of Rs. 500 crores per year, over the next four years, to provide credit guarantee cover to banks and lending institutions providing loans to Startups because debt funding for startups is perceived as a high-risk activity. Once implemented, the lines of a credit guarantee scheme for MSMEs are projected to give startups a significant boost by permitting the flow of much-needed capital that might total thousands of crores.

c. Relaxed norms in public procurement for startups

The Ministry of Micro, Small, and Medium Enterprises' procurement policy²² now includes a clause that relaxes the requirements for prior experience and turnover for Micro and Small Enterprises. A notification has been released by the Department of Expenditure to relax public procurement rules for all startups (including medium-sized businesses) by all federal Ministries/Departments.

d. Tax initiatives

Income Tax Exemption on Profits²³: The Department for Promotion of Industry and Internal Trade (DPIIT) established the Inter-Ministerial Board of Certification as a body to certify startups to give tax-related incentives.²⁴ If the following requirements are met, a DPIIT-approved startup can petition to the Inter-Ministerial Board for a complete deduction on business income and gains (exemption under Section 80IAC²⁵ of the Income Tax Act). The organization must be a private limited company or a limited liability partnership, have been

²² Ministry of Micro, Small and Medium Enterprises' procurement policy 2016, Policy Circular No 1(2)(1)/2016-MA, dated 10 March 2016

²³ *Ibid*

²⁴ *Ibid*

²⁵ Income Tax Act 1961, s 80IAC

incorporated on or after April 1, 2016,²⁶ but before April 1, 2021, and have undifferentiated products, services, or processes that have the potential to be commercialized and add a substantial amount of value to customers or workflow. The deduction is for any three consecutive years out of seven years from the year of incorporation of a start-up²⁷.

Tax exemption on investment above fair market value: DPI Acknowledged According to Section 56(2)(viib) of the Income Tax Act,²⁸ startups are exempt from tax when they receive any payment for the issuance of shares that exceeds the fair market value of such shares.²⁹ To claim the startup's exemption from the requirements of Section 56(2)(viib) of the Income Tax Act,³⁰ the startup must submit a properly completed and signed statement in Form 2 to DPI³¹.

Section 54EE of Income Tax Act, 1961³²: If long-term capital gains are placed in a fund that has been approved by the central government, they are exempt from tax. The maximum investment allowed is Rs. 50 lakh.³³

Amendment to Section 54GB of Income Tax Act, 1961³⁴: If the amount of the net consideration is invested in a specified stake of equity shares of an eligible Startup to use the same for the purchase of a specific asset, the capital gains resulting from the sale of the residential house or residential plot of land are exempt from tax³⁵:

- The requirement of holding a minimum of 50% of the share capital or voting rights in the startup was lowered to 25%.

²⁶ *Ibid*

²⁷ BC Shetty & Co Chartered Accountants, 'Major Tax Exemptions to Startups' (*BC Shetty & Co*) <<https://bcshettyco.com/major-tax-exemptions-startups.php>> accessed 20 August 2022

²⁸ Income Tax Act 1961, s 56(2)(vii)(b)

²⁹ *Ibid*

³⁰ *Ibid*

³¹ Notification issued vide Gazette of India GSR 127 (E)

³² Income Tax Act 1961, s 54EE

³³ *Ibid*

³⁴ Income Tax Act 1961, s 54 GB

³⁵ *Ibid*

- The deadline for deferring capital gains from the sale of residential real estate for investments in start-ups has been extended to March 31, 2021.

Legal Support and fast-tracking patent examination at a lower cost: To facilitate quick rack filing of patents, trademarks, and designs by startups, a Startups IPR Protection (SIPP) plan has been developed. The plan calls for a quicker review of startup patent applications. This will speed up the process of obtaining patents. Additionally, the cost of filing a patent has been cut by up to 80% for startups. To speed up the application and purchase of patents, panels of facilitators for patents and trademarks have been established. Throughout the whole process of acquiring a patent, the facilitators would offer free legal advice and support.

Establishing Incubators: Niti Aayog will establish Atal Incubation Centers (AICs) across the public and private sectors as part of the Atal Innovation Mission. Niti Aayog has received 3658 applications for the establishment of Atal Incubation Centers (AICs) from organizations in the public and private sectors (1719 from academic institutions and 1939 from non-academic entities). An existing incubator would be scaled up under the Mission with a grant in aid of Rs. 10 crores for a maximum of 5 years to cover the capital and operational costs of running the centre. 233 applications have been submitted to Niti Aayog for scaling up funding for established incubation centres.

Establishing startup hubs and technology incubators (TBIs): The Department of Science and Technology (DOST) and the Ministry of Human Resource Development (MHRD) will work together to establish 15 technology business incubators and 14 startup centres (DST). Ten of the fourteen Startup Centers have received approval. By December 2016, DST would finance the Startup centres if MHRD released its portion of Rs. 25 lakhs each center for them. In contrast to the goal of sanctioning 15 TBIs, 9 TBIs have already received approval, and another 6 TBIs are in the process of receiving approval.

Public-Private Initiatives

Our constitution takes into consideration the freedom and need for work³⁶. Over the past five years, the Indian government has helped build successful start-ups with its carefully considered policies. Its key policy pillars are simplification and handholding, industry-academic partnership, and budgetary assistance and incentives.³⁷ Visionaries like Google have lately introduced a mentorship and boot camp program for start-ups developing both business-to-consumer (B2C) and business-to-business (B2B) tech solutions, with a particular focus on India. Through its numerous government program, such as Start-up India, Pradhan Mantri Mudra Yojana, IREDA Scheme for Discounting Energy Bills, Credit Enhancement Guarantee Scheme, Stand up India, End to End Energy Efficiency Scheme, High-Risk High Reward Research Scheme, Atal Incubation Centers Scheme, and Infrastructure Development Scheme, India has developed concrete strategies. These programs represented the government's vision and objective for the country's economic development and productivity.

"Solve for India", a mentoring program, was first introduced in India last year as a pilot program with the help of the Launchpad Accelerator team for Google Developers. Launchpad Accelerator is a global initiative that provides start-up businesses with guidance as they develop and scale their products through the support of the Google network of investors, mentors, business experts, and Google Inc. personnel. This program involves about ten Indian tech start-ups that are developing products related to Indian languages, healthcare, fintech, agritech, and online content, among other things.³⁸ Nebula, SlangLabs, PregBuddy, LegalDesk, PaySack, Vokal, FarMart, Meesho, Pratilipi, and M-Indicator are a few of them³⁹. The first generation of businesspeople emerged as a result of economic liberalization, creating brands like Infosys, Bharti, Kotak, and ICICI, among many others. The educated young people of India now have access to a vast array of work prospects thanks to these ventures. Recognizing the potential of

³⁶ Constitution of India, art 19(1)(g)

³⁷ *Ibid*

³⁸ Chung Sulin & Abhay Tiwari, 'The Development of Entrepreneurship in India – Central Government-led Initiative' (2020) 6(1) International Journal of Economics and Business Administration 18-22

³⁹ *Ibid*

businesses to create jobs⁴⁰, succeeding governments have also provided governmental support to business owners. The face of entrepreneurship in India has altered as a result of new laws to support micro or small firms, such as making loans simpler for them.⁴¹

POSSIBLE REASONS FOR DELAY IN STARTUP CULTURE IN INDIA

Researchers believe that the Startup Culture originated in Silicon Valley in the US with the origin of revolutionary startups like Facebook, Google, etc. The inclination toward inventing and solving challenges is not limited to the valley alone, therefore with the change in dynamics, startups rapidly spread across the globe to Shanghai and Bangalore. Startup culture began late in India. If we compare with the US, Microsoft, Yahoo, Google, Amazon, Apple, and Netflix were all founded before 1999. Entrepreneurial activity began in India more prominently from 2005 to 2010, particularly in the technology sector. Technology entrepreneurship activities started after 2014, which is thought to be the outcome of the current Indian government's initiative, and the trend persisted in 2018–19. Since 2010, the administration has been more cognizant of the effects of technology on the country and the effects of the changing global economy.

Indian mentality is also a major element of the delay. Even today it is experienced that a majority of the youth prefer jobs rather than starting their own business. There could be multiple reasons for this behaviour:

Orientation towards orthodox employment culture: It is believed that doing a job is the best way of living. The primary objective of a youth studying in schools and colleges is to get employed in a lucrative job with a decent salary and serve under a boss. There is very less interest to start a new venture and pursue entrepreneurial activity.

Lack of wealth to start a new venture: The capital requirement is the basic yet major challenge to starting a business. History has witnessed brilliant revolutionary ideas fail just because of a

⁴⁰ Shailendra Kumar Rai, 'Indian entrepreneurs: an empirical investigation of entrepreneur's age and firm entry type of ownership and risk behaviour' (2008) 8(1) Journal of Services Research

⁴¹ *Ibid*

lack of wealth. Small companies have to compete against large companies. Small businesses cannot survive for the long haul as the big firms undercut their profits and initially bankrupt them. Often the startups either dissolve or get absorbed by a large firm.

Insecurity of the future: There is no certainty or perpetuity in a startup company. In its initial stage, with razor-thin margins, the startups simply seem to survive the tides of competition. If additional adversities arise, for instance, a pandemic like COVID, then the survival of startups is compromised.

Lack of family support: Family support is a major driving force for any individual. It is seen that the startup culture is not a very acceptable concept mostly in Indian families simply because of the uncertainty of success.

However, today's Indian society is accepting of many changes which were forbidden in the past. We are all aware of the severe recession that struck the world in 2008⁴², forcing businesses all over the world to reallocate their resources and fire enormous numbers of employees. It primarily affected IT professionals in India, who developed intense job-related fear and began looking for alternative means of support.⁴³

The nascent nation was shaken by this fear, which was coupled with an unquenchable desire to prove one's mettle, and as a result, its people broke free from the chains of mediocrity and rose to the occasion, since then there seems to be no turning back from the culture.⁴⁴ A common misconception about startups is that they must be located in a developed nation with access to all the necessary resources. In actuality, that is missing the point because startups can exist anywhere and present the best prospects in the nations with the greatest needs.⁴⁵ Startups thrive in underdeveloped nations, war-torn countries, and nations that are new to entrepreneurship.

⁴² Britannica, 'The Great Recession (2007-2008): Causes, effects, statistics and facts' (*Britannica*, 2008) <https://en.wikipedia.org/wiki/Financial_crisis_of_2007-2008> accessed 08 June 2022

⁴³ *Ibid*

⁴⁴ *Ibid*

⁴⁵ *Ibid*

Startups can use each of these ecosystems' unsolved problems to not only make money but also leave a positive influence.

GLIMPSE OF THE PRESENT SCENARIO OF INDIAN STARTUPS

The plot is the same every time: someone, typically from a middle-class family, begins to implement a brilliant concept. They spend a lot of effort into realizing their ideas, attracting investors' attention, assembling useful human resources, and building their brands. Startups in India are renowned for their accommodating work environments, late-night celebrations, and culture that promotes treating coworkers fairly. India has over 6,000 companies, and the current Prime Minister is sure that 44% of them are headquartered in Tier II and Tier III cities⁴⁶ and they are becoming more numerous.

Before 1991, the Indian economy was closed.⁴⁷ It was self-sustainable until drastic foreign exchange deficits compelled the government to limit restrictions and allow private players both foreign and domestic to operate in Indian markets. The government enjoyed monopoly status over certain aspects such as rail transportation (railways), atomic energy, and defence. The key objective behind such status was to safeguard the interest of the common people as well as the security of the state.⁴⁸ However over time, such monopolistic status has disintegrated. Privatization of the energy sector (distribution) occurred in 2002. Although the first few attempts were in vain, now we have a substantial portion privatized. Tata Power and Reliance Ltd are among the key distributors throughout the country. Rail transportation which is one of the greatest sources of revenue has also witnessed significant privatization in the aspects of maintenance, catering as well as operations sector. IRCTC is the key private player along with private contractors to whom tenders are auctioned out. In the defence sector, the government has tendered out maintenance of ordinance contracts to private entities. Over the past ten years,

⁴⁶ Bhimika Khatri, 'Startup 101: Empower And Energise Your People, Since Culture Eats Strategy For Breakfast' (INC42, 2018) <<https://inc42.com/buzz/startup-101-empower-and-energise-your-people-since-culture-eats-strategy-for-breakfast/>> accessed 02 September 2022

⁴⁷ *Ibid*

⁴⁸ *Ibid*

there have also been an increasing number of startups in the space industry. It's feasible that, like in the United States, space exploration will become privatized.

COVID-19 has adversely affected the startup culture in the year 2020-21 and its effects are still persistent today. Ministry of Corporate Affairs reported that Indian Startups have fired around 12000 employees over the course of just six months and it is projected that further downsizing will extend up to sixty thousand till the end of the year. The primary reason behind the layoff is the lack of funds. Numerous banks and NBFCs are projecting a recession by the end of the year which made investors sceptical about financing new startups. Another reason could be a due sudden rise in post-pandemic demand due reopening of institutions slowdown is caused as startups cannot meet the increase in demand. In the last couple of years, India witnessed at least two unicorn startups, however, that stream ended this year when April was the first month in more than a year that India has no new “unicorn” (startup with valuations over a billion dollars)⁴⁹. Despite these seemingly dangerous challenges, there are still some positive aspects to consider. According to the Economic Survey 2021–22, India has approximately 61,400 startups recognized by the Department for Promotion of Industry and Internal Trade (DPIIT), with at least 14,000 recognized for the fiscal year 2022. The survey is a yearly report card on the economy that analyses the performance of several sectors and makes recommendations for the future. A forecast for GDP growth is also presented. The poll also revealed that at least one new company was present in 555 Indian districts, demonstrating the country's impressive growth in the number of startups during the previous six years, with the majority of them operating in the IT and knowledge-based industries.⁵⁰ "Over the past six years, startups have dramatically increased in India. From only 733 in 2016–17, the number of newly recognized startups has climbed to over 14,000 in 2021–22"⁵¹.

⁴⁹ *Ibid*

⁵⁰ Arun Padmanabhan, 'Economic Survey 2022: At least 14,000 new startups recognised in India, up 20 times in five years' (*The Economic Times*, 2022) <<https://economictimes.indiatimes.com/tech/startups/economic-survey-2022-at-least-14000-new-startups-recognised-in-india/articleshow/89243366.cms>> accessed 30 January 2022

⁵¹ *Ibid*

PAVING THE ROAD FOR SMOOTH SAILING OF STARTUPS

To understand the reason behind the need to promote startups, we have to understand their benefits and their contribution to modern society. Startups are the epicenters of the invention; they generate jobs, which increases employment and boosts the economy; and they have a noticeable influence on the cities in which they settle. Consider the changes made by Infosys in Bangalore, Alibaba in Hangzhou, Microsoft in Redmond, and Google in Mountain View, California. By giving both seasoned professionals and emerging talent job chances, they enhanced employment trends. The "dynamism gap" between the large cities and the rest of the country narrowed as a result of startups. Startups stimulate the economy with ground-breaking technology and over time, create new industries. This resulted in a surge in the inflow of graduates and the relocation of experienced professionals from various cities. These firms genuinely transform into money-making machines when they go public, not only for but also for the employees and shareholders, in this way startups also contribute to changing the image of the country.

A multifaceted strategy is necessary for startups, including Increasing capital access; increasing talent access; enhancing market accessibility, reducing bureaucracy, and enacting fiscal and regulatory measures that support innovation. Startup-friendly regulations don't always need to be expensive or come with numerous rewards. However, they do mandate a shift in how governments operate from the past. Startups require access to international markets, therefore fostering cross-border data flows and lowering trade barriers is essential. Strong leadership can unite corporations and academic institutions to develop the kinds of talent pools that draw entrepreneurs. Additionally, local political leaders can remove some of the regulatory barriers that impede startup growth by enacting pro-innovation policies. The most prosperous new companies would be able to reinvest more funds into their operations and the economy as a result of a general reduction in the corporate tax rate, and large corporations would have more money to invest in the expansion of new startups through corporate venture capital, angel investing, and R&D.

Early entrepreneurial education is necessary. In addition to project-based learning, the school should connect students with startup mentors to encourage entrepreneurial thinking and include computer science and technology into every element of the curriculum. To support the next startup boom, the government needs to invest more in R&D. A permanent startup visa program should be implemented. We require an immigration strategy that invites businesspeople to settle here. To promote startups there have to be some socio-economic reforms.

Taxation and economic reforms

Taxations are repressive to startups. The federal government should implement new startup-friendly laws and tax relaxations to permit spending on innovations, ease of doing business, and lower compliance costs, to further support small enterprises and empower entrepreneurs. The economy will be greatly benefited from new reforms, policy aid, and support mechanisms for building a focused strategy for resolving unmet financial demands through technology. In the past year, there has been a significant increase in the adoption of digital payments. We anticipate that the Indian government may consider alternatives to the zero MDR (merchant discount rate) policy in the future financial budget as it will help to promote e-payments and encourage major digital adaptation among enterprises. It is however apparent that government is adaptive to the need of the hour to promote startups through necessary monetary reforms.⁵² Numerous tax relaxations, as well as subsidies, are provided to new businesses through the union budget 2022.⁵³

Reducing monopolistic and restrictive trade practices

Market concentration hinders the establishment of new businesses in numerous ways. For instance, dominant businesses may resort to loss-leading when they discover new competitors. They use their market dominance to sell their goods below cost to push out their new competitors rather than competing on quality or convenience. Similar to this, established

⁵² Budget 2022, Ministry of Finance, Government of India

⁵³ *Ibid*

businesses in highly competitive industries may band together to fix costs and output levels. By restricting their ability to compete with established companies, these anticompetitive practices crush innovative providers. Concentrated industries frequently make it considerably tougher for newcomers to break in by making use of their purchasing power over suppliers, even in the absence of collaboration. Additionally, in recent years, platform monopolies have emerged, which significantly discourage the establishment of new enterprises by competing with and taking advantage of those that do. For instance, Amazon, which offers a marketplace for independent contractors, not only engages in competition with these contractors on the same platform (not the least by taking advantage of its ability to track these contractors' sales data) but also retains a 15 to 50 percent share of all sales that its rivals on the platform make.

Platform monopolies like Google and Facebook stifle rivalry between start-ups and small enterprises. Independent company owners discover they must pay a "platform tax" to Google and Facebook to access potential customers as these companies destroy the economic base of conventional media sources by taking their editorial content and advertising earnings.

Promoting startup culture in schools and colleges

The world has seen some phenomenal inventions in colleges and universities which were revolutionary and have changed the world. During the cold war, the United States government made significant contributions to universities like Stanford, Pennsylvania, and Harvard to research and develop technologies to beat the Soviet Union in the space race. Other international institutions have also received attention for their role in fostering entrepreneurship and a startup ecosystem in the nations where they operate. On the other hand, according to observers of the sector, India hasn't been able to wow the globe with ground-breaking and innovative items. The nation has also failed to develop a Google, Microsoft, or Facebook – all legendary examples of the flamboyant spirit of entrepreneurship and of companies that expanded into enormous businesses. The lack of "entrepreneurship culture" ingrained in Indian culture is one of several factors holding back the start-up movement in India. Sadly, the nation's schools, colleges, and universities have failed to give students a setting that fosters and supports innovation, ideation, and creativity.

So long as they can direct their students toward new opportunities and greener pastures, Indian institutions may serve as the hubs of innovation and entrepreneurship. They can help to ignite the flame of entrepreneurship in India by kindling original ideas and giving students ambitious wings.

Emphasizing Public-Private Partnerships and Ventures

Collaboration between private companies and government institutions is a common practice we witness today. To Encourage new businesses and support the existing ones, the government should outsource projects to external contractors as well as conduct joint operations with private ventures. Primarily all startups are technology-based⁵⁴ and the new enterprises may bear better technologies or know-how which would be beneficial to the public as well as could replace the existing way of doing.⁵⁵ In this way, such ventures would help in two ways, firstly by helping the startups by providing them with the opportunity to work and make profits, and secondly, by bringing new technologies to achieve goals more efficiently.⁵⁶

Easing policies for Foreign Portfolio Investment (FPI)

Securities and other financial assets held by investors in another country make up foreign portfolio investment (FPI). Depending on the turbulence of the market, it is relatively liquid but does not provide the investor with direct ownership of a company's assets. FPI is one of the popular ways to invest in a foreign economy, along with foreign direct investment (FDI). For the majority of economies, both FDI and FPI are significant sources of funding.⁵⁷ The key aspect of FPI is that the ownership and control of the enterprise are not altered.⁵⁸ Unlike FDI, FPI

⁵⁴ John Wu and Robert Atkinson, 'How technology based start-ups support U.S Economic growth' (ITIF Information technology and innovative foundation) <<https://itif.org/publications/2017/11/28/how-technology-based-start-ups-support-us-economic-growth/>> accessed 28 November 2017

⁵⁵ *Ibid*

⁵⁶ *Ibid*

⁵⁷ James Chen, 'Foreign Portfolio Investment' (*Investopedia*) <<https://www.investopedia.com/terms/f/foreign-portfolio-investment-fpi.asp>> accessed 29 May 2021

⁵⁸ *Ibid*

holders do not consist of passive ownership of the company. Investors have no control over ventures or direct ownership of property or a stake in a company⁵⁹.

CONCLUSION AND SUGGESTIONS

Proceeding toward the end of the article, it must be apparent the specific needs and challenges faced by the startups. With a growing population of highly literate and skilled workforce, the economy should adopt all possible ways to provide for them in terms of employment and earn their livelihood. The government of every state entity should promote startup culture, but not necessarily obsess too much about making the incorporation free from all legislative and procedural boundaries. The laws, rules, and protocols existed overcome time for a reason to safeguard the interest of the general people and prevent corporate exploitation. Also, serious entrepreneurs are not going to hold off their desire just over some paperwork. However, it can be stressed that governments rather try to cut some of the red tape which is rather unnecessary. For instance, there are more than ten types of mandatory licenses that restaurant owners must acquire to start their venture in comparison with the UK which requires seven. "Ease of doing business" (EODB) is not only a criterion but also the need of the hour for our economy. After the implementation of schemes like "Make in India", "Make for India", and "Atmanirbhar Bharat" the central government is adamant about making the business establishment process easy as well as fast. After the implementation of such schemes, India seems to improve in the global EODB rankings by jumping to 63rd among 190 countries. Startups will soon occupy the majority of the markets.

After considering the current circumstances, several recommendations have been made to improve the situation and aid startups in operating more effectively and surviving longer in the market.

Firstly, the education ministry has to include both practical training and theoretical instruction to foster a startup culture. Practical education has been incorporated into the curriculum at prestigious educational institutions like IITs, NITs, and other national institutes.

⁵⁹ *Ibid*

For more emphasis, the program should be made available to all instead of just top-tier national institutions. All technical and practical courses should include internships as a requirement.

Secondly, more emphasis should be provided on FPI instead of FDI (foreign direct investments). Even if FDIs benefit the economy, Indian venture capitalists must contend with fierce competition, which may push them to compromise on their standards and value when working with businesses to stay competitive. However, the preference for Indian investors by new start-ups remains since these firms have an advantage over FDI in understanding local market tactics. This appeals to Indian start-ups and provides them with a recognizable framework, support, and direction. Even while FDIs have the positive potential for worldwide expansion, entrepreneurs frequently rely on Indian investors to help them expand locally to increase their national control over the business. India is predicted to draw between US\$120 and US\$160 billion in FDI year by 2025, according to the roadmap for FDIs. Over the previous ten years, the country's GDP increased by 6.8% while FDI increased to 1.8%. Since 80% of investors want to invest in India for the next two to three years⁶⁰, this indicates that India has a stable connection with foreign direct investments, which is why investors placed India third in terms of attractiveness.⁶¹

Thirdly, monopolistic practices by the government and large business enterprises should be eliminated. Small businesses and entrepreneurship have suffered catastrophic impacts. The percentage of businesses older than 16 years old increased by 12 percent between 1997 and 2012, according to the Institute for Local Self-Reliance, while the percentage of people employed by those businesses increased by 11 percent, reaching 73 percent. Minority populations have been particularly troubled by these effects.⁶² In the future, it will be crucial to uphold our anti-monopoly rules and modernize them for the age of platform firms. This will maintain the spirit of entrepreneurship that has protected the political and economic liberties of India.

⁶⁰ Anisha Aditya, 'FDI and its impact on the start-up ecosystem' (*Business World*, 2021)
<<https://www.businessworld.in/article/FDI-And-Its-Impact-On-The-Startup-Ecosystem-/16-08-2021-400823/>>
accessed 16 August 2021

⁶¹ *Ibid*

⁶² *Ibid*

Finally, the most important yet most difficult task is to encourage startups by reducing the red tape and statutory compliances. Such objective could be accomplished by digitalization. A business owner faces several obstacles while launching a new enterprise. When launching a new business, it is crucial to take into account the novelty or freshness of the product, concept, or service that has some value as well as the availability of funds for development. Similar to how individuals must develop to survive; small businesses must do the same to thrive. Studies show that the regulatory load plays a significant role in the development and expansion of small enterprises and may have an impact on the company's prospects, which adds to the list of difficulties.

To compile a document with a list of each product's and service's compliance requirements. An entrepreneur can desire to start a restaurant, a school, etc. The entrepreneur is dependent on middlemen and lacks a common source of knowledge. Transparency in the process and business will be achieved by using a standardized document that omits all the crucial information. Furthermore, an e-verification system will be used to verify the investor's identity and source of income. This will end the Income-tax department's investigation into startup funding raised. The aforementioned methods can help increase output, encourage growth, and enhance the nation's overall business climate.