

DEVELOPING AN ECOSYSTEM FOR INNOVATIVE ENTREPRENEURSHIP AND START-UPS

POLICY ISSUES, STRATEGIES AND GOOD PRACTICES IN INDIA

Sunita Sanghi

Senior Advisor, Ministry of Skill Development & Entrepreneurship, Government of India, 2nd Floor, Annexe Building, Shivaji Stadium, Shaheed Bhagat Singh Marg, Connaught Place, New Delhi – 110001, India
Tel: +91-11-23450848
E-mail: ssanghi@gov.in

Abstract

Entrepreneurship is an important driver for creating employment opportunities, boosting innovations and thereby fueling growth. In Indian context it assumes relevance to harness the demographic advantage and to improve the women participation in the labour market. The Flagship program of the government of India are facilitating growth of enterprises and generation of sufficient livelihood opportunities to productively absorb this economically active population to maintain the higher growth trajectory. The need of the hour is addressing the issue of information asymmetry through use of digital technology.

Introduction

Entrepreneurship is an important driver fueling economic growth, creating employment opportunities and boosting innovations. It has special relevance in the Indian context given that India is passing through a demographic transition wherein about 35%¹ of the population is in the age bracket 15–29 years and 65% in the working age group. Harnessing this demographic potential necessitates generation of sufficient livelihood opportunities to productively absorb this economically active population to maintain the higher growth trajectory.

A peep into the Indian Labour Market shows that agriculture accounts for 46% of the workforce and that there is increasing informalization of the Indian Labour market with close to 93% working in the informal employment both in the organized and the unorganized sector. More than 98% of the enterprises as per Sixth Economic Census 2013–14 are employing

less than 10 workers with about 72% working as own account enterprises with no hired workers. In terms of enterprises, there are 63.4 million unincorporated non-agricultural enterprises (excluding construction) in the country employing close to 111.3 million workers² which are not necessarily decent employment both in terms of wages and access to social security.

The preponderance of own account enterprises clearly indicates that it is time to foster entrepreneurship among those entering labour market especially the marginalized and the vulnerable group viz woman, youth and minority. Entrepreneurs not only provide employment for themselves but also create employment for others and drive greater upstream and downstream value-chain activities. They also facilitate growth of both physical and social infrastructure in terms of availability of roads, educational institutions, health facilities and public utilities.

As per NASSCOM Report³ India has the third largest startup ecosystem across the world, amidst intensifying competition from countries like UK and Israel. While Bengaluru, Delhi and Mumbai retained their position as the key startup hubs in India, 20% of the startups emerged from tier II and tier III cities, the report noted. There is rapid rise in startups in healthtech, fintech, e-commerce and aggregators.

The last decade has witnessed change in the nature of entrepreneurship from being driven by individuals working within the well-defined boundaries to a boundless digital sphere. These are called technology-inspired entrepreneurs who create value for both the firm and society. The technology entrepreneurs are either technology developers, those who develop a unique technology capable of diving a new business or technology users who see a new technology development and understand how it can be applied to meet a market need. In 2017, India has total of 5,200 technology startups across sectors either as technology developers or as technology user based. They comprise 43% of the total start-ups in India.

Booming sectors for tech based startup

Technology is impacting each aspect of life. The mobiles and internet are not just the mechanism to communicate but are impacting each aspect of lives. The technology based entrepreneurs and startups have taken strong roots across sectors in India like Food Tech, Retail, Real Estate, Education, healthcare, Travel & Transport, Data Analysis, E-commerce Enablers, Sales and Marketing Tech, HR Tech impacting both consumers and the enterprises. The

¹Youth in India, CSO 2017

²NSSO 73rd Unincorporated Enterprises Survey 2015-16

³Tech Start-Ups In India: A Bright Future, NASSCOM

services and facilities are a click and a call away. Companies like Amazon, Ola, Uber, Flipkart, Snapdeal, Paytm have entered the hyperlocal grocery services; home services providers like Housejoy have gone up from 40 orders a day to 4,000 in 10 months, Urbanclap received 3,000 vendors in Mumbai alone. Shopsy, a community commerce platform, digital payment provider Momoe have ventured beyond traditional business structure.

The following paragraphs provide details of some of the emerging and successful tech based entrepreneurial solution impacting every aspects of life:

The startup culture has taken great strides in the **Real Estate** space and is changing the face of real estate with their more customer-centric approach catering to every small aspect from searching of house for rent to purchase of house.⁴ The real estate tech startups like 99 acres, no broker, Grab house have replaced the role of brokers by connecting the customer directly with the house owner. Nest Away uses technology to provide rental solutions and best design anywhere in India and offer furnished homes at affordable prices on sharing basis. The startup like SmartOwner are helping people in cashing on carefully curated investment opportunities from the fastest growing cities in India. These technological interventions have made house searching whether for rent or purchase a click away.

In the Tourism and Hospitality space entrants like Oyo & Zo Rooms, a budget hotel aggregator, Trivago – a hotel price comparison site are accelerating providing clarity on the essential requirements of today's tech-savvy budget travelers.

The **Edtech startup** space has also witnessed a boost in India with increasing interactive textbooks, rise of web-based research, access to multiple IT tools for teachers such as podcasting, virtual classroom, voice recording, use of videography for content delivery etc. The startups offer tutorials ranging from boards

to competitive exams for engineering, management and civil services. BYJU's, unicorn of India, offers learning programmes for class 6–12 and test preparation for various competitive exams JEE, AIPMT, CAT, IAS, GRE & GMAT. The platform provides personalized, adaptive learning tests and practice packages to help students ascertain and improve their rank. These platforms have transformed the pedagogy. The digital learning has now become part of the regular learning process and is done through 3D content and learning management systems (LMS) with AI interface. However, there is need to expand to tier II and tier III cities and rural areas for better outreach.

The **Health tech startups** have redefined the healthcare in India providing services ranging from preventive healthcare, to analytics, pathology, emergency services etc. The health tech startups are bridging the gap through technology adoption amongst doctors across diverse spectrum, which facilitates them to deliver quality consultation to their patients. Startup like Doc Talk and eKincare facilitates users to save all their medical records on the cloud and discuss with the doctors and get prescriptions on the go. The Platform like Grow Fit are addressing the lifestyle diseases gap with its healthtech platform expert coaching, health foods and behavioural insights. Similarly, NIRAMAI is putting forward innovative solutions for rare diseases including cancer especially breast cancer. A digital network SastaSundar.com is bringing all stakeholders viz. doctors, diagnostic services, health-care clinics, and health information services together which not only reduces cost but also brings together best medical facility and treatment, thereby reducing cost and make the availability of high-quality medicines convenient. There are applications like Practo that facilitate reach of doctors to patients.

Fintech startups have also brought in a revolution in financial services including Online payments, crowd funding, consumer finance, Insurance, risk management,

mobile banking etc. The technological disruption in the banking sector has played an important role in covering the unbanked population. The Government initiatives like BHIM, the interoperable payments system by the National Payments Corporation of India (NPCI), Unified Payments Interface (UPI) have made a mark in the market. The promotion of cashless technologies post demonetisation such as digital wallets, Internet banking, the mobile-driven point of sale (POS) and others – as well as the launch of Aadhaar, eKYC, UPI and BHIM have restructured the financial sector and have disrupted traditional institutions like banks. The Startups like Kissht and Faircent (P2P lending) are providing instant credit to consumers for making purchases at digital points of sale (both offline and online) even without a credit card. The data-driven, mobile-first platform like Simpl allows customers to make purchases and settle payments online thereby providing users a payment model that's faster and more convenient than wallets or cards.

BillDesk, Instamojo and mobile-based Point of Sale (POS) providers are helping to bridge the gap between the common man and the small retailers.⁵ Similarly, Zest-Money, Capital Float, Lendingkart, CashCare, Indifi, Rubique, Faircent are providing alternative sources of funds to the micro small and medium enterprises. The FTCash is not only facilitating micro-merchants including kirana store owners to accept payments through multiple payment instruments including debit cards, credit cards, and mobile wallets but also provides short-term loans to these merchants. These platforms have empowered micro-merchants and SMEs by offering easy access to credit.

Innoviti which helps businesses in reducing the cost of processing digital payments by automating the manual processes used by them and supplying hassle-free working capital to small businesses has seen its flagship product UniPAY achieving 100% growth in one-year up to March 2017.

⁴Silicon India News

⁵Indian Startup Saga-Grant Throatan

⁶Inc42's Startup Watchlist annual series 2017

The tech-based startup in Logistics sector have broken the delivery barriers and have facilitated delivery of products at the shortest possible time from & to any part of the globe. The intracity logistics aggregator startups like trucksfirst, Moovo, the Karrier and Shippr acts as an exchange platform for cargo owners and transporters. The growth of the e-commerce is directly related to the growth of logistics. Though tier I cities are the preferred location for the logistic companies the tier II and tier III cities have the maximum potential for logistics companies expansion. Besides facilitating delivery, these logistics startups are also facilitating a modernistic and simplified way of right vehicle selection, route/delivery planning, real-time tracking, reduced transit time and reliable documentation and control, among others using data analytics and IoT.

Enterprise tech startups like e-commerce enablers, sales and marketing tech, HR tech, Big Data Apps, retail tech, enterprise resource planning, business intelligence support other startups in the ecosystem. The App based Travel, Tourism and Foodjoints startups like Yatra, Make my trips and Zomoto etc. have made life easy and a click away.

In terms of funding and investment, the tech startups raised about \$13.5 Bn in funding across 885 deals in 2017, according to the Indian Tech Startup Funding Report 2017. The amount invested in 2017 is almost three times than what it was in 2016. Enterprise tech, healthtech and fintech emerged as top sectors bagging maximum number of deals in the year 2017. The transport-tech, traveltech, deeptech, edtech and media and entertainment have also witnessed a significant growth. The technology based startups are bridging language based digital divide. For e.g., the local e-commerce startup Storeking functions with local languages and has partnered with MobiKwik a wallet service provider to bring digital disruption to Rural India. The platform like Quikr is also available in seven languages. The BillTutor, eRelgo, Indus OS, Megdap Innovation, Planet

GoGo are language technology platforms providing language tech solutions.

Though majority of startups are from metro cities, many are cropping up in different tier II cities as well. Online food service – Faaso's, Online grocery service – Grofers, are spreading rapidly to the tier II cities.

What constrains the growth of entrepreneurship

The Hon'ble Prime Minister of India has envisioned India to be in the top 50 of the World Bank Doing Business ranking report to re-energize business and attract foreign investment. The burgeoning young large population which provides both domestic market as consumer and also availability of manpower offers great opportunities for growth of entrepreneurs. The Startup India mission launched in 2016 provides ground for promoting technology business incubators and creation of research parks and startup support hubs in national institutes of prominence. The high penetration of internet and mobiles both in rural and urban areas has given fillip to innovations of startups and have transformed the way businesses are done and consumers communicate. The access to funds have been streamlined through various sources like VC/PE, Angel investors, banks, financial institutions and incubators. The Entrepreneur groups are supporting the development of other startups. However, the growth of the entrepreneurship is slow and heterogeneous across India with few cities emerging as centers of new startups and others lagging behind.

The question is what impacts the growth of startups. A peep into the success story of some of the emerging startups highlight that the success of a startup requires availability of basic infrastructure like electricity, Internet, roads, transport; availability of a skilled workforce, network of mentors and facility for ideation and incubation and funding at different stages. However, these startups face hurdles in accessing these essentials in smaller cities or towns and rural parts of the country. The biggest problem is the lack of proper guidance and mentor-

ship to take forward the idea. A lot of young people come out with new innovative ideas with potential to take the start-ups to great heights, but due to lack of experience of industry, business and market to effectively get their products out. A good mentor can help them in capturing the markets faster, strategizing each of their steps and in networking. The scope for innovation and entrepreneurship to flourish in small towns and rural areas gets reduced if the innovators and entrepreneurs from small towns and rural settings may have to travel long distances for mentorship or other support and also for resources.

Another challenge faced by the startups is to recognize opportunity and it is difficult for them to validate and demonstrate the value of opportunity and business idea before its realization. This problem is more so for those technology based entrepreneurs in small towns, villages, as visioning for a new venture, opportunity recognition along with innovative solutions, R&D products, rapidly changing skill needs and equally changing non-techno activities remains limited due to lack of resources, knowledge and understanding of the components of entrepreneurial ecosystem and relations between them.

The technology startups face challenge of payment in terms of non-acceptability by the customers of electronic and also because of lack of proper payment gateways in different geographies.⁷ Electronic payments are still not popular owing to absence of complete penetration to tier 2 and tier 3 cities.

Lack of effective branding strategy is yet another issue that bars startups from flourishing speedily.

It is also difficult to attract and hire the right talent and skilled workers as a startup cannot pay the compensation packages offered by larger companies. They also have challenge in raising the funds especially during the initial stage, given no credit history or track record of the company.

The delay in fund disbursement process is another challenge. According to the Task force on Innovation,⁸ the average pendency

⁷<https://www.businesstoday.in/moneytoday/technology/start-ups-challenge-big-online-payment-gateway-players/story/197144.html>

for a patent application to be granted in India is more than five years. To promote intellectual property, the Patent (Amendment) Rules, 2016 provide expedited patent examination on certain grounds. The newly added rule aims to reduce the application period from the prevailing 5–7 years to 18 months by March 2018 for Tatkaal applications, which is an excellent initiative. However, the patent literacy is very low, in general in India, even among educated innovators, and there is a lack of expert help available. This is a matter of major concern, particularly in case of tech-based entrepreneurs. Appropriate guidance along with faster processing and lesser cost is very crucial. Another major issue is that often Indian angels are constrained by regulations that make investment and exit cumbersome. The magnitude of deals is very low here. However, several of the venture capital funds are in the process of raising new funds.

The need for a comprehensive policy focusing on innovation and entrepreneurship was felt for creating framework for a sustainable ecosystem for the entrepreneurship.

Policy initiatives for harnessing the entrepreneurial potential of Young India

Entrepreneurship is not new to India. In fact to quote from the Indian Industrial Commission Report (1916–1918) – “At a time when the West Europe, the birth place of modern industrial system, was inhabited by uncivilized tribes, India was famous for the wealth of her rulers and for high artistic skill of her craftsmen. And even at a much later period, when the merchant adventures from the West made their first appearance in India, the industrial development of this country was, at any rate, not inferior to that of the more advanced European nations.”⁹ However, entrepreneurship in India has been confined to being own-account workers with one or more helpers and did not

expand in size beyond that and remained concentrated geographically depending on availability of skilled manpower as also adequate infrastructure.

A friendly ecosystem involves ease of doing business; tax incentives to entrepreneurs; Simplifying regulations for entry and exit; enabling infrastructure such as road, connectivity, utilities; mentoring and incubation of new ventures, building entrepreneurial networks, Innovation focus, access to finance, market etc. The boom in the IT sector and alumni of premier educational institutions including IITs have played a critical role in the growth of tech-based entrepreneurship. The IT revolution has seen growth of many tech-based enterprises impacting lives of all citizens pan India such as Snapdeal, Flipkart. The institutions like The National Science & Technology Entrepreneurship Development Board (NSTEDB), under the aegis of Department of Science & Technology are also promoting knowledge driven and technology intensive enterprises. Several initiatives and policy measures have been taken by Government of India to foster a culture of innovation and entrepreneurship in the country. These measures address the question of what constitute an appropriate environment for development of the entrepreneurship. What is available in India both in terms of policy and programmatic initiatives?

1. Policy framework: The National Policy on Skill Development and Entrepreneurship 2015 for the first time focused on creating a Vibrant entrepreneurship ecosystem of culture, finance, expertise, infrastructure, skills and business friendly regulation.¹⁰ The policy lays emphasis on:

- Promoting innovation-driven entrepreneurship and making it aspirational.
- Encouraging entrepreneurship as a viable career option through advocacy.
- Enhancing support for potential entrepreneurs through mentorship, networks, financial access, technology etc.

- Integrating entrepreneurship education in the formal education system.
- Ensuring ease of doing business by reducing entry and exit barriers.
- Broadening the base of entrepreneurial supply by meeting specific needs of both socially and geographically disadvantaged sections of the society including women, SCs, STs, OBCs, minorities, differently-abled persons etc.¹¹

The intent of the policy is supported by programmatic interventions including PM Yuva.

2. Programmatic interventions for creating and sustaining startups/entrepreneurships

The government of India has launched many mission mode programs directly and indirectly supporting the Startups.

(a) **Make in India** launched in September 2014 to promote the manufacturing sector by encouraging investment domestic companies including foreign investment to invest in the sector. Various measures have been taken to create favourable environment such as an online system for environment clearances, filing income tax returns and extension of validity of industrial licenses to three years; increase in the foreign Direct Investment limits for most of the sectors and Protection of the intellectual property rights of innovators and creators by upgrading infrastructure, and using state-of-the-art technology.

(b) **Startup India** was launched in 2016 to build a strong eco-system for nurturing innovation and Startups in the country. Since its launch in January 2016, the initiative has successfully given a head start to numerous aspiring entrepreneurs. The initiative with a 360° approach provides a comprehensive four-week free online learning program, set up research parks, incubators and startup centers across the country by creating a strong network of academia and industry bodies. A ‘Fund of Funds’ of INR 100 billion managed by

⁸Task Force on Innovation. Report on Global Innovation Index

⁹Entrepreneurship Development in India-the Focus on Start-ups;– Sunita Sanghi & A. Srijia Laghu Udyog Samachar 2016

¹⁰National Policy on Skill Development and Entrepreneurship 2015

¹¹National Policy on Skill Development and Entrepreneurship 2015

SIDBI is helping startups gain access to funding. Under the program the startups can innovate and excel without any barriers. The relaxation in compliance norms has reduced the regulatory burden on Startups thereby allowing them to focus on their core business. The Startup India Online Hub launched in June, 2017 provides an online platform where all the stakeholders of the Startup ecosystem can collaborate and synergize their efforts.

(c) **Atal Innovation Mission (AIM)**, an initiative of NITI Aayog is promoting a culture of innovation and entrepreneurship by providing a platform for promotion of world-class Innovation Hubs, Grand Challenges, Start-up businesses and other self-employment activities, particularly in technology driven areas. In order to foster curiosity, creativity and imagination right at the school, AIM recently launched Atal Tinkering Labs (ATL) across India. ATLs are workspaces where students can work with tools and equipment to gain hands-on training in the concepts of STEM (Science, Technology, Engineering and Math). In the last two-and-half years, the government had opened 2,500 tinkering labs in schools under the "Atal Innovation Mission" where robots, 3D printers and internet of things are provided from class VI onwards. The aim is to support 30,000 tinkering labs in schools across India in the next three years to promote emerging technologies like Internet of Things, Artificial Intelligence, Blockchain, 3D and Robotics among school students and develop that innovative mindset from class VI onwards till class XII. Atal Incubation Centres (AICs) are another programme of AIM created to build innovative start-up businesses as scalable and sustainable enterprises. AICs provide world class incubation facilities with appropriate physical infrastructure in terms of capital equipment and operating facilities. These incubation centres, with a presence across India, provide access

to sectoral experts, business planning support, seed capital, industry partners and trainings to encourage innovative start-ups.¹²

(d) **SETU (Self Employment and Talent Utilization)**, a Techno-Financial, Incubation and Facilitation Program aims to support all aspects of startup businesses and other self-employment activities, particularly in technology driven areas. Experimenting in cutting edge technologies, creating value out of ideas and initiatives and converting them into scalable enterprises and businesses is at the core of government strategy for engaging youth and for inclusive and sustainable growth of the country.¹³

SETU has been conceived to address the five major drivers for creating a vibrant entrepreneurial eco system viz; (i) catalytic government policy and regulatory framework, (ii) easy access to equity capital and debt, (iii) businesses as entrepreneurial hubs, (iv) culture and institutions which encourage entrepreneurship over careerism and (v) adequate and effective collaboration forums.¹⁴

(e) **Digital India** has transformed India into a digitally empowered society and knowledge economy. The increased penetration of internet and mobiles has seen improvement in rural connectivity and boost to develop traditional rural arts, crafts or other innovative ideas into business models. This has offered huge business opportunity for startups and many e-Commerce companies have ventured into rural market as a part of the government's Digital India initiative. The program aims to improve citizen participation in the digital and financial space, make India's cyberspace safer and more secured improve ease of doing business. Digital India hopes to achieve equity and efficiency in a country with immense diversity by making digital resources and services available in all Indian languages.

The Electronics Development Fund (EDF) is helping in creating a vibrant ecosystem of innovation, research and develop electronic products within the country. The investment on electronic manufacturing has seen 27% increase leading to significant increase in production of mobile phones and hence direct and indirect employment. Digital transactions have also witnessed a growth of over 300% during this year.

(f) **ASPIRE** launched in 2015 is Promoting Rural Entrepreneurship through a network of technology and incubation centres and accelerating entrepreneurship in agro-industry. Sixty-two Livelihood Business Incubators (LBIs) and 8 Technology Business Incubator (TBIs) proposals have been given approval out of which 33 LBIs have been operationalized.¹⁵

(g) **Pradhan Mantri YUVA Yojana**, launched by the Ministry of Skill Development and Entrepreneurship for providing entrepreneurship education and training to over 700,000 students in 5 years (2016–17 to 2020–21) through 3,050 institutes. It also includes easy access to information and mentor network, credit, incubator and accelerator and advocacy to create a pathway for the youth. The institutes under the PM's YUVA Yojana include 2,200 Institutes of Higher Learning (colleges, universities, and premier institutes), 300 schools, 500 ITIs and 50 Entrepreneurship Development Centres, through Massive Open Online Courses (MOOCs).¹⁶

(h) **NIDHI - TBI** (National Initiative for Developing and Harnessing Innovations), launched in the financial year 2016–17 provides an enabling environment to technology-based new enterprises which are equally high-growth and high-risk ventures. Under this flagship program, more than 120 Technology Business Incubators (TBI) and Science and Technology Entrepreneurs Parks (STEP) have been

¹²NITI Aayog

¹³PIB 2015

¹⁴Entrepreneurship Development in India-the Focus on Start-ups– Sunita Sanghi & A. Srija

¹⁵Livelihood Business Incubators Projects Posted On: 01 JAN 2018 3:22PM by PIB Delhi

¹⁶Press Information Bureau Government of India Ministry of Skill Development and Entrepreneurship 09-November-2016 16:53 IST

established and several among them have matured and developed competence to become state-of-the-art Incubators.¹⁷

3. Easing out funds availability

To ease the credit availability requirements of start-ups and existing businesses, the Government has launched the MUDRA scheme with the objective of banking the unbanked and supporting the entrepreneurs. Since its inception, about 120 million loan accounts have been sanctioned. Out of them, during 2015–16 and 2016–17, about 22.4 million loans have been taken by new entrepreneurs, and 56.7 million loans were taken by women entrepreneurs (75%).

Stand-Up India launched in 2015 seeks to leverage institutional credit for the benefit of India's underprivileged. It aims to enable economic participation of, and share the benefits of India's growth, among women entrepreneurs, Scheduled Castes and Scheduled Tribes. Towards this end, at least one woman and one individual from the SC or ST communities are granted loans between INR 1 million to INR 10 million to set up greenfield enterprises in manufacturing, services or the trading sector. The Stand-Up India portal also acts as a digital platform for small entrepreneurs and provides information on financing and credit guarantee.

India Aspiration Fund (IAF), an INR 20 billion has been launched by SIDBI in August 2015 to boost the startups fund-of-funds ecosystem in the country with a vision to promote and accelerate equity and equity linked investments in Start-ups and MSMEs. As on March 2018, 26 AIFs have been supported under India Aspiration Fund (IAF).¹⁸

A SIDBI Make in India Loan for Small Enterprises (SMILE) Scheme of INR 100 billion has also been launched

to catalyze tens of thousands of crores of equity investment in start-ups and MSMEs, creating employment for lakhs of persons, mostly educated youth over the next 4–5 years. The SMILE aims to provide soft loans in the nature of quasi-equity and term loans on relatively soft terms to MSMEs to meet the required debt-equity ratio norm. The scheme has benefitted 1,384 MSMEs by providing loans of Rs. 3586 crore till March 31, 2017.¹⁹

Trade related Entrepreneurship Assistance and Development (TREAD) addresses the critical issues of access to credit among India's underprivileged women. TREAD programme enables credit availability to interested women through non-governmental organizations (NGOs). As such, women can receive support of registered NGOs in both accessing loan facilities, and receiving counselling and training opportunities to kick-start proposed enterprises, in order to provide pathways for women to take up non-farm activities.

A Credit Guarantee Trust for Micro and Small Enterprise has been set up to strengthen credit delivery system and facilitate flow of credit to the MSE sector. The Trust crossed an important milestone in FY 2016–17 by recording cumulative guarantee approvals of over INR 2.5 million with an aggregate loan amount of over INR 1,250 billion. It has leveraged technology to achieve this scale and the entire operations is carried out online. With a view to improving the operational processes and provide better service to its Member Lending Institutions (MLIs), the Trust further upgraded its technology for enhanced efficiency and better customer service.²⁰

Credit Linked Capital Subsidy Scheme (CLCSS) for Technology Upgradation aims at facilitating technology upgradation of

Micro and Small Enterprises (MSEs) by providing 15% capital subsidy (limited to maximum INR 1.5 million) for purchase of Plant & Machinery. Maximum limit of eligible loan for calculation of subsidy under the scheme is INR 10 million.²¹

Prime Minister's Employment Generation Programme (PMEGP) is the flagship programme of the government offering credit linked subsidy to establish new enterprises for generating continuous and sustainable employment opportunities in Rural and Urban areas of the country. In two years 2016–17 and 2017–18, a total of 37,785 + 72,844 projects have been sanctioned.

4. Ease of doing business- regulatory framework²²

As a part of 'Startup India' initiative to build a strong eco-system for nurturing innovation and entrepreneurship number of measures have been taken to improve the regulatory framework so as to facilitate growth of enterprises. Some of the key initiatives includes:

- MSME unit to fill in a single one-page self-declaration online form called Udyog Aadhaar for registration.
- Self-certification with labour and environment laws and no inspection under labour laws for three years.
- Startup India hub to enable knowledge exchange and access to funding and guidance on all aspects of startup lifecycle and mentorship programs.
- To simplify startup process a mobile app and portal has been launched in April 2016. It provides up-to-date information on various notifications/circulars issued by various Government ministries/departments, towards creation of a conducive ecosystem for Startups.
- To promote awareness and adoption of Intellectual Property Rights (IPRs) Various measures have been taken to

¹⁷MSME, PIB

¹⁸MSME website

¹⁹Evening Standard July 2017

²⁰MSME website

²¹MSME website

²²StartUp India PIB December 2017

facilitate filling of patents, trademarks and designs by startups including fast-tracking of startup patent applications, panel of facilitators to provide general advisory on different IPRs, government bearing facilitation cost and 80% rebate on filing of application vis-à-vis other companies.

- To provide an equal platform to Startups (in the manufacturing sector) in public procurement vis-à-vis the experienced companies Relaxed Norms of Public Procurement for Startups.
- To make it easier for Startups to wind up business Faster exit for startups. Startups with simple debt structures may be wound up within a period of 90 days from making of an application for winding up on fast track basis.
- **Tax incentives**
 - To promote investments into Startups Tax Exemption on Capital Gains is provided for investment in newly formed manufacturing Micro Small and Medium Enterprise (MSMEs) by individuals to promote the growth of Startups and address working capital requirements.
 - To stimulate the development of Startups in India, profits of Startup initiatives are exempted from income-tax for a period of 3 years.
 - To encourage seed-capital investment in Startups Tax Exemption on Investments above Fair Market Value.
 - Under The Income Tax Act, where a Startup receives any consideration for issue of shares which exceeds the Fair Market Value of such shares, such excess consideration is taxable.
 - Currently, investment by venture capital funds in Startups is exempted from this provision. The exemption shall be extended to investment made by incubators in the Startups.
 - Period of claiming profit-linked tax exemption for startups has been increased to 7 years.

Next steps

According to the World Bank Group's latest Doing Business 2018: Reforming to

Create Jobs report, India has jumped 30 positions to become the top 100th country (out of 190 countries) in terms of ease of doing business ranking. In the Global Competitiveness Index (GCI) 2017, India moved up from its earlier ranking of 71 in 2014–15 to 40 in 2017–18, out of a total of 137 countries. The score improved across most pillars of competitiveness, particularly infrastructure (66th, up by two), higher education and training (75th, up by six). In a recent study on geographical clusters generating most number of patents, three cities from India appear in the top 100 – Bengaluru at 43rd (with patent activity focused on computer technology), Mumbai at 95th, and Pune at 96th (both registering among the most patents in organic fine chemistry).

However, to empower the millions of Indians who are joining the labour market in search of livelihood opportunities there is urgent need to create platforms for information dissemination; improve education, training and quality of local physical infrastructure to improve the growth of entrepreneurship in an inclusive manner. The focus on women entrepreneurship is evident from the fact that the Global Entrepreneurship summit with women theme was hosted by India together with USA and the Women Entrepreneurship Platform and Women Transforming India Awards are some of the initiatives to promote women entrepreneurship which would improve the woman participation in the labour market and be the new driver of job growth in the future. However, together with such platform it is also necessary to ensure that the entrepreneurship is not concentrated in the big cities but also reach out to the remotest part of the country. This may necessitate converging governments various flagship programs such as Digital India to improve network & communication connectivity; Skill India to make available skilled manpower; availability of physical infrastructure as also transport to facilitate market linkages and financial inclusion to facilitate availability of credit and also channels for accepting payments. The strong linkage between education and entrepreneurship can be harnessed by improving the

availability of good education, health and infrastructure facilities in all the districts especially those enjoying demographic advantage and falls in the poor regions of the country. The Aspirational district program and Gram Swaraj Abhiyan of the Government of India are efforts to foster the linkages across programmes and focus on the growth of backward regions. These programs would not only promote growth in poorer districts, enhance equity and closing of gap in availability of infrastructure facilities and gap in knowledge.

There is no one magic formula, or one size fits all approach to make all the districts enterprising. The policymakers only facilitate availability of key infrastructure and ease of doing business to make the regions competitive in terms of good infrastructure, improved governance through capacity building of local administration and incentivizing the private sector to invest. These measures encourage investors to invest in the innovative ideas and promote entrepreneurship.

Th enhanced focus on small enterprises through the provision of MUDRA loan, Credit guarantee funds and also captive market for purchase of their products in government orders are strengthening the small enterprises where lies India's strength of entrepreneurship. The small enterprises are well integrated into the large companies as their ancillaries and through them into the global supply chain. The need really is to ensure that the benefits of various programs are reaching the targeted group through proper information dissemination. The digital platforms and the community services are the medium to overcome information asymmetry.

References

- ✓ CGTMSE Official Website, Credit Guarantee Fund Trust for Micro and Small Enterprises, <https://www.cgtmse.in/>
- ✓ CIPAM (2017), Task Force on Innovation Report on Global Innovation Index: An Indian Perspective, Cell for IPR Promotion and Management (CIPAM), Department of Industrial Policy and Promotion, Ministry of Commerce & Industry,

- Government of India, available at <http://dipp.nic.in/sites/default/files/Task%20force%20report.pdf>
- ✓ DIPP (2018a), Parliament Standing Committee Report, Report No. 141, available at <http://164.100.47.5/newcommittee/reports/EnglishCommittees/Committee%20on%20Commerce/141.pdf>
 - ✓ DIPP (2018b), Reply to Lok Sabha Unstarred Question No. 3886 <http://dipp.nic.in/sites/default/files/lu3886.pdf>
 - ✓ DIPP (2018c), Reply to Lok Sabha Unstarred Question no. 2646. <http://dipp.nic.in/sites/default/files/lu2646.pdf>
 - ✓ Economic Times, 11th June, 2015.
 - ✓ Entrepreneurship in India, NKC, 2008.
 - ✓ Grant Thornton (2016), The Indian startup saga, available at http://www.granthornton.in/globalassets/1.-member-firms/india/assets/pdfs/the_indian_startup_saga.pdf, accessed on 04/05/2018.
 - ✓ <https://www.quora.com/PeterBaskerville>
 - ✓ <http://yourstory.com/2015/10/indian-startups-invested/>
 - ✓ http://www.indiaonline.com/article/news-sector-banking-financials/sidbi-launches-india-aspiration-fund-and-sidbi-makein-india-loan-for-enterprises-scheme-115082000192_1.html
 - ✓ Khan (2013), Battle at the Gate, Money Today, available at <https://www.business-today.in/moneytoday/technology/startups-challenge-big-online-payment-gateway-players/story/197144.html>
 - ✓ MUDRA Official Website, Micro Units Development & Refinance Agency Ltd <http://www.mudra.org.in/>
 - ✓ NIESBUD official website, <http://niesbud.nic.in/>
 - ✓ PMEGP official website, Prime Minister's Employment Generation Programme <https://www.kviconline.gov.in/pmeg-peportal/pmegphome/dashboard.jsp>
 - ✓ Sen (2018), DIPP pulls up subsidiaries posing as start-ups, Business Line, <https://www.thehindubusinessline.com/economy/dipp-pulls-up-subsidiaries-posing-as-start-ups/article23395018.ece>
 - ✓ SIDBI official website, <https://www.sidbi.in/files/List-of-AIFs.pdf>
 - ✓ Source: <http://trak.in/india-startup-funding-investment-2015/>
 - ✓ Spatial Determinants of Entrepreneurship in India, Ghani, Ejaz; Kerr, William R.; O'Connell, Stephen D. (2012–09) Policy Research Working Paper; No. 6198. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/12042> License: CC BY 3.0 IGO."
 - ✓ Speech by Prime Minister Shri Narendra Modi at the Startup Event (27 September 2015, San Jose, California).
 - ✓ The persistence of small enterprises in India, Ezaz Ghani Livemint May 2018
 - ✓ Two Hundred and Forty Fifth Report on Review of the implementation of Micro, Small and Medium Enterprises Development Act, 2006-Department-Related Parliamentary Standing Committee (2013).
 - ✓ World Bank (2018), Doing Business 2018 Reforming to Create Jobs
 - ✓ World Economic Forum (2017), The Global Competitiveness Report 2017–2018.
 - ✓ 'Young Entrepreneurs turn Angels for Younger Startups', Times of India, June 30, 2014. 10. Investopedia.
 - ✓ 'Young Entrepreneurs turn Angels for Younger Startups', Times of India, June 30, 2014. ■

Creative Productivity Index

Analysing Creativity and Innovation in Asia

This report presents the results and analysis of the Creative Productivity Index (CPI) for a select number of Asian economies. The CPI was built by The Economist Intelligence Unit. The Asian Development Bank (ADB) commissioned the work on developing the CPI as part of an overall study on Asia's knowledge economies. The report provides a benchmarking of a number of economies in Asia on creative productivity, an important attribute for strengthening knowledge-based economic development. This index gives policy makers a unique tool to assess how to foster creativity and innovation in Asia. Innovation-led growth is crucial for developing Asia to maintain and accelerate the pace of growth of its economies.

Following are the key findings of the CPI:

- Japan leads the CPI, followed by Finland and the Republic of Korea;
- Cambodia and Pakistan, with much room for improvement, are ranked lowest in the CPI;
- Singapore leads the CPI for innovation inputs;
- Finland and Hong Kong, China are best in the CPI for innovation outputs;
- Low- and middle-income economies will benefit most from policies to increase creative inputs; and
- There are many different dimensions of creativity that are captured in this report.

For more information, contact:

Asian Development Bank
6 ADB Avenue, Mandaluyong City 1550
Metro Manila, Philippines
Tel: + 63 2 632 4444; Fax: +63 2 632 4442
Web: <http://www.adb.org>