

OVERVIEW OF STARTUPS POLICIES IN INDIA- WITH SPECIAL REFERENCE TO ARTIFICIAL INTELLIGENCE

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Abstract

Startup companies represent a powerful engine of open innovation (OI) processes. With the effect of several govt initiatives in India, such as Make in India, startup India, Mudra loan etc. , India has seen a new and completely contemporary changes in the outlook of people from a job seeker's view towards a more of job makers' one. Large youth population on one hand while growth rate of India on other can prove to give a great boom to innovations and thus competitiveness. This paper tries to assess the growth of start-ups in india and moreover how Artificial intelligence can help this growth become a boom.

Keywords: *startup, competitiveness, growth rate, innovations*

REVIEW OF LITERATURE

It has become increasingly clear in recent years that the conceptualization of leadership must be broadened beyond that of top-down heroic leadership (Day et al., 2004; Pearce, 2004; Yukl, 2002). Shared leadership process append considerable awareness into the staging of the entrepreneurship. It is important for the expansion and extension of new start-ups. According to Ensley, Hmieleski and Pearce (2006) the descriptive value of shared leadership goes over the vertical leadership. This suggest that the high profile cases of the reckless start-ups, whose separate creativity and innovation has led to the renown and destiny, are more folk tale than the actuality.

Sharma, (2013), made a study on women entrepreneurs in India. She concluded that women entrepreneurs face many problems like social barriers, legal aspects, lack of education, family support etc. She also explained the various factors like pull and push factors affecting entrepreneurship. According to her women have the probable and firmness in setting up the enterprise and fighting against the all odds. Goyal, Parkash, (2011), in their research paper concluded that at present the position of entrepreneur is better than before. Economies are taking the efforts to make and enhance the entrepreneurship. Government is providing the awareness and necessary steps are being taken up by them. Start-ups must be configured properly with the business expertise to encounter the latest trends and changes in the environment and capable enough for aspiring the supremacy in the entrepreneurial coliseum.

Research methodology

Research and experimental development is work under-taken systematically to increase the stock of knowledge. The first objective of this paper is fulfilled by the analysis of history of banking sector. The data for analysis has been collected primarily from journals, articles, online database of Indian Economy, RBI bulletin, websites or newspaper etc .

What is a startup?

A startup is a young company that is beginning to develop and grow, is in the first stages of operation, and is usually financed by an individual or small group of individuals.

A startup business is defined as an organisation:

- Incorporated for three years or less
- At a funding stage of Series B or less
- An entrepreneurial venture/a partnership or a temporary business organisation
- A startup is defined as a business that:
- Engages in development, production or distribution of new products, processes or services
- New and existence for not more than five years
- Revenue of up to INR 25 cr.
- Not formed through splitting or restructuring
- Formed through splitting or restructuring
- According to an Infosys Co-founder, a startup is defined as a business:
- Within the first three years of its existence
- Employing 50 people or less
- Revenue of INR 5 cr. or less

Steps taken by Govt:

COMPLIANCE REGIME BASEDON SELF-CERTIFICATION

Compliance norms have been eased in order to reduce the regulatory burden on Startups thereby allowing them to focus on their core business.

- a) Startups falling under the list of 36 “white” category industries will not require Environment clearance under 3 Environment related Acts viz. The Water (Prevention & Control of Pollution) Act, 1974; the Water (Prevention & Control of Pollution) Cess (Amendment) Act, 2003 and the Air (Prevention & Control of Pollution) Act, 1981. [Click here to get the list of “white” category industries](#)
- b) Ministry of Skill Development and Entrepreneurship (MSDE) has issued advisory to states to allow Startups to self-certify compliance for a period of 1 year with the Apprenticeship Rules, 1992 of Apprenticeship Act 1961
- c) As per the advisory issued by Ministry of Labour & Employment (MoLE) on 12.01.2016, Startups may self-certify compliance under 6 Labour Laws. MoLE has now increased the tenure of compliance of self-certification under 6 Labour laws from 3 to 5 years. 27 states viz. Andhra Pradesh, Assam, Chhattisgarh,



Chandigarh, Daman & Diu, Delhi, Gujarat, Himachal Pradesh, Mizoram, Odisha, Punjab, Tripura, West Bengal, Uttar Pradesh, Haryana, Jharkhand, Madhya Pradesh, Maharashtra, Tamil Nadu, Telangana, Uttarakhand, Rajasthan, Karnataka, Bihar, Andaman & Nicobar, Arunachal Pradesh and Meghalaya have confirmed compliance.

STARTUP INDIA HUB

Startup India hub was operationalised on 1st April, 2016 to resolve queries and provide handholding support to Startups. The hub has handled more than 1, 14,000 queries from Startups through telephone, email and Twitter. To seek clarifications pertaining to Certificate of Recognition as a “Startup”, Certificate of Eligibility to avail tax benefits, seeking information on incubators or funding, one can get in touch with the Hub on TollFree number.

PATENT BENEFITS

A panel of 427 facilitators for patent and design applications and 670 facilitators for Trademarks applications has been constituted for assistance in filing Intellectual Property (IP) applications and to fast track the process of patent filing and acquisition. DIPP bears the facilitation cost on behalf of Startups and also provides rebate in the statutory fee for filing application.

TAX BENEFITS

- Tax Exemption the Finance Act, 2016 had made provision for Startups to get income tax exemption for 3 years in a block of 5 years, if they are incorporated between 1st April 2016 and 31st March 2019.
- Tax Exemption on Capital Gains Section 54 EE has been introduced under the Finance Act, 2016 which provides for exemption of capital gain up to INR 50 lakhs arising out of transfer of long term capital asset invested in a fund notified by Central Government
- Removal of Angel Tax exemption on investments above Fair Market Value (or angel tax) has been introduced for Startups.

RESEARCHPARKS

The objective of setting up Research Parks is to propel successful innovation through incubation and joint Research and Development (R&D) efforts between academia and industry. 8 Research Parks are being setup under Startup India initiative.

UCCHATAR AAVISHKAR YOJANA (UAY)

The objective of UAY is to promote industry and outcome-oriented research projects by students. INR 475 crore for 2016-18 has been earmarked under UAY and 85 research proposals from IITs have been approved. Under this scheme, INR 162 crore has been disbursed for research proposals from IITs.

FASTER EXIT FOR STARTUPS

The Insolvency and Bankruptcy Board of India has been constituted and the provisions regarding corporate insolvency resolution have been implemented on 1st December, 2016

STATES WITH STARTUP POLICIES

22 States viz. Andhra Pradesh, Assam, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Sikkim, Telangana, Uttar Pradesh, Uttarakhand and West Bengal have formulated Startup Policies since October 2014.



How AI can help?

Artificial intelligence has marked its presence in every field of concern. Almost industry is taking advantage of the **artificial intelligence applications**. *Be it healthcare, finance, marketing or any other sector*. Artificial intelligence is becoming an integral in the way how many consumers interact with the digital platforms. The huge competition in the e-commerce business has pushed the e-commerce businesses to make use of **artificial intelligence technology** to get ahead of the competition.

1. Searching Products Made Easy

artificial intelligence techniques allow users to upload the images and discover the most relevant or exact search result. This saves a lot of time for the consumer as a consumer no longer have to linger for hours.

2. Recommendation Systems

Have you ever experienced how E-commerce websites like Amazon are constantly showing the products similar you just checked? Well, this is the application of artificial intelligence in E-commerce. **AI and machine learning algorithms** can predict the behaviour of buyer from its past searches, likings, frequently bought products. By predicting the behaviour of the user, E-commerce websites are able to recommend the products that user is highly interested in. This improves the user experience as the users no longer have to spend hours searching the product.

3. Inventory Management

The predictive analysis of **data science services** is making a huge impact in the inventory management. Inventory management is a nightmare when it comes to keeping the inventory up to date, shelves filled and everything available in the supply chain. **Machine learning algorithm** can predict the future demand for the product based on the history data. The more and more usage of predictive analytics in the E-commerce improves the efficiency of inventory management data. **Artificial intelligence applications** have enabled the retailers to predict the real-time inventory needs of the business.

4. Systematic Sales Process

Prior to artificial intelligence, sales strategies were relying on cold calling, email marketing, ad placements etc. **Artificial intelligence applications** are used by the E-commerce retailers to gather data patterns and to generate powerful insight from the data. Businesses can improve the sales by using the history data and data-driven feedback. Nowadays, people are more inclined towards social media platforms for shopping inspirations. **Deep learning techniques** can be used to identify the choices and interests of the customers. Artificial intelligence can scan millions of data and develop the correlation between the buying patterns and user data.

5. Better Customer Understanding

For the rapid growth of any business, it is very important to understand your target customers better. There are many ways to achieve this. E-commerce websites can send online surveys to the users, get feedback using feedback forms, and ask for rating and review for the better customer understanding. Artificial intelligence and **natural language processing** have also made it possible to get to know the perception of the customer about the brand.

6. Improved Customer Service

Every business wants to provide the best service to their customers. Chatbots and virtual shopping assistants allow users to automate the customer service. **AI-powered chatbots** have the capability to interact with clients,

answer their queries and resolve issues in real time. Natural processing algorithm in the chatbots allows them to understand the context of the customer's message. Shopping chatbots can assist in finding the products

7. Better Decision Making

E-commerce can make better decisions with the application of Artificial intelligence. **Data analytics** have to handle a lot of data every day. This data is too huge for them to handle. Moreover, analyzing the data also becomes a difficult task. Artificial intelligence has fastened the decision-making process

8. after Sales Service

Selling the product is not enough. Businesses have to aid the customer in the complete buying cycle. After sales service is an integral part of E commerce business. Artificial intelligence can automate the feedback form, replacements and handling any other ambiguity in the product. By solving the buyer's issues, the brand value of the website gets improved.

9. Cyber security

Artificial intelligence has also improved the cyber security of the E-commerce websites. It can prevent or detect any fraudulent activities. E-Commerce has to deal with a lot of transactions on daily basis. Cybercriminals and hackers can hack the user account to gain unauthenticated access. This can lead to the exposure of private data and online fraud. The reputation of the business also gets a big blow. To prevent this, **Artificial intelligence and machine learning algorithms** are developed that can mitigate the chances of fraud activities over the website.

Challenges:

World Bank's Report

On an average, Indian businesses need to make 33 tax payments annually with around 243 hours spent to prepare and pay taxes in a year

- In contrast, China requires just nine tax payments annually, while the US doesn't trouble its taxpayers more than 11 times annually for tax payments
- Among South Asian economies, India made the biggest improvement in business regulation, increasing its distance to frontier score

Culture and Awareness

- The Indian culture has conditioned people to look down upon failure. For failures, opinions do come by but encouragement rarely so. Entrepreneurship is often about failing and learning from those failures and starting all over again. People need to start accepting failures and allow second chances.

Social Issues

- Mentorship/Guidance: Most founders of failed startups feel that the lack of proper guidance and mentorship is a major reason behind their failure. An important factor behind failures and slow growth of some organisations is the lack of quality mentorship, especially in terms of industry knowledge/support.
- Market structure: Indian markets are largely unorganised and fragmented that create a roadblock for a startup to succeed



- Consumer behaviour: Behaviour of Indian consumer changes in every 30-50km that makes it really difficult for a startup to create business or market strategy for their products or services. Most startups generally get stuck in stagnancy and gradually shut down.
- Location: An important problem faced by startups is related to location of their business. India is a place of varied culture and taste and thus every product might not be welcomed equally in every region.

Technology

- Technology infrastructure - Appropriate IT-infrastructure has become a need for Indian businesses given the growing number of consumers online - It is absolutely vital for new startups to train their employees for handling critical customer information such as that of credit card numbers and related data
- Cyber security - Most startups have a B2B business model. This is where cyber risk may rise as they are not aware of potential risks that might exist for their startup business - No back-up plan to keep the startup company running when an accident destroys some key equipment in their data centre

Financial Issues

- Operational finance: - Most startups are self/family funded with limited workforce which makes it difficult to maintain records both financial and operational. - Flawed business models and lack of innovative revenue strategies
- Funding/Capital Deficiencies: - Capital and access to capital has been a perennial problem for startups- In the initial phase of operations, startups do not get funding from banks given no credit history of the firm. In addition, there is limited number of credit rating firms for small and medium sized enterprise.
- Cash flow management - Effective cash management is an important factor to achieve objectives both short term and long term. Cash is still a preferred option for payments owing to the fact that electronic payment has not achieved complete penetration to Tier 2 and Tier 3 cities

Sustainability Issues

- The level of knowledge that business advisers have about ecological issues and their willingness to discuss this with their clients is important in creating business ventures.
- Lack of information - provision of more information directly to business founders could help in the adoption of more sustainable business practices.
- Not aware of potential that might exist for their startup business.
- Role of public funding in promoting sustainable enterprises is often overlooked.

Regulatory Issues

- Multi window clearances: Budding entrepreneurs have to make multiple trips to government offices to register and seek clearances. Urgent need to scrap multiple regulatory clearances



- Taxation issue: - Taxes like octroi, VAT, excise create problems for entrepreneurs while starting up a business. NASSCOM has batted for the exemption of both direct and indirect taxes for all startups in India - Taxation is a barrier for technology adoption and proves to be an immense hurdle for budding entrepreneurs - With taxation out of the way, startups will be able to stem the cash outflow

Overview:

	2015	2025
Total no. of Start (-)	10,000	1,00,000
Employment generation ('000)	n/a	3,500
Expected contribution (US\$ b)	n/a	500
Global startup ranking	3rd (Behind the US and the UK)	Aims to be No. 1
Driving factors	<ul style="list-style-type: none"> • An emerging economy • Young population • Easing FDI norms 	<ul style="list-style-type: none"> • Growing middle class • Rise in discretionary spending • Focus on standard of living
Challenges for startups	<ul style="list-style-type: none"> • Lack of awareness • Multiple clearance requirement • Multi-tax existence (Octroi, VAT, Excise, ST etc.) 	<ul style="list-style-type: none"> • Unorganised market • Infrastructure in Tier II & III cities • Lack of early stage funding • Lack of mentoring
Government Initiatives (including upcoming)	<ul style="list-style-type: none"> • Startup Ecosystem • Digital India • Online clearance portal 	<ul style="list-style-type: none"> • Tax exemption • MUDRA Bank • India Aspiration Fund

https://www.gapjournals.org/

CONCLUSION

At present day, start ups are growing like a grapevine. Both male and females are getting into it. Even females are coming with more ideas and they are taking the risk to sustain their credibility. Indian start-ups attempt to build the start up environment with important education, talent, innovation and incubators with correspondence to funding agencies. Now the govt is also supporting the Start-ups. According to Nasscom, India ranks third in global start-up ecosystem. More than 65% growth is seen in the year 2015. Start-up is an opportunity for an entrepreneur to educate and inspire others while some are thinking of how to do and what to do. Although, entrepreneurs are facing problems but still they are rising like a sun. They have the determination to setup and divert their energy to plan, support and execute their dreams and contributing to the growth of the economy. This new initiative of start-ups pledge rapid approvals for starting the business, easier exits, tax rebates and faster registration for the patents. This initiative holds the potential of creating the jobs when the manufacturing sector is having a downfall. For any new idea to become successful venture it requires appropriate support and mentoring.

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