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Role of ICT in the success of Start-up India

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Abstract

The pace of development in any society is determined by its governance. Start-up India campaign, initiated by PM Narendra Modi in 2015, is one such action plan that aims to nurture the productive and innovative competence of the youth by laying out a conducive policy framework for start-up ventures, to boost entrepreneurship and encourage start-ups which will subsequently promote innovation and provide ample job opportunities. The plan envisages to provide a hassle-free environment for investors in the form of smooth financing, a mobile app for single-point registration, an uncomplicated regulatory mechanism, a fast-track system for patent filing, faster exits etc coupled with necessary financial and tax incentives. According to Economic Times, a business newspaper, as many as 11,500 start-ups could come up by 2020, creating 250,000 jobs. Technology is the driving force of progress in this era of globalization. Information and Communication Technology (ICT) has become a functional requirement for the socio-economic growth and sustained development of any country. This paper focuses on the potential of ICT, its pivotal role in empowering people for self-efficacy and how it can facilitate this mission to reach out to grassroots level. Finally, it is concluded that ICT is a significant contributor to the success of the ongoing initiative of Start-up India.

Introduction

Startup India campaign is based on an action plan designed for stimulating bank funding for start-up projects to lift entrepreneurship and embolden startups with jobs conception. It is a campaign focused on to restrict role of States in policy domain and to get rid of hindrances like land permissions, foreign investment proposal, environmental clearances etc. It was organized by Department of Industrial Policy and Promotion and will not only benefit the new-age firms (start-ups) across the country but also the traditional and established players, as the aspiring platform envisions a Rs.4.5 lakh crore investments over the next decade.The 19 points which are major takeaways are as explained below:

- Compliance regime based on self-certification: Its objective is to reduce the regulatory burden on startups. This self-certification will apply to laws like payment of gratuity, contract labour, employee's provident fund, water and air pollution acts.

- Startup India hub: It will be created as a single point of contact for the entire startup ecosystem to enable knowledge exchange and access to funding.

- Simplifying the startup process: A startup will be able to set up by just filling up a short form through a mobile app and online portal. A mobile app will be launched on April 1 through which startups can be registered in a day. There will also be a portal for clearances, approvals and registrations.

- Patent protection: The government is also working on a legal support for fast-tracking patent examination at lower costs. It will promote awareness and adoption of Intellectual Property Rights (IPRs) by startups and help them protect and commercialize IPRs.

- Funds of funds with a corpus of Rs 10,000 crore: In order to provide funding support to startups, the government will set up a fund with an initial corpus of Rs 2,500 crore and a total corpus of Rs 10,000 crore over four years.

- Credit Guarantee Fund: A National Credit Guarantee Trust Company is being envisaged with a budgetary allocation of Rs 500 crore per year for the next four years.

- Exemption from Capital Gains Tax: Currently, investments by venture capital funds in startups are exempt from this law. Now, the same is being extended to investments made by incubators in startups.

- Tax exemption for startups: Income tax exemption to startups announced for three years.

- Tax exemption on investments above Fair Market Value.

- Startup fests: Innovation core programs for students in 5 lakh schools. There will also be an annual incubator grand challenge to create world class incubators.

- Launch of Atal Innovation Mission: Atal Innovation Mission started to give an impetus to innovation and encourage the talent among the people.

- Setting up of 35 new incubators in institutions: PPP model being considered for 35 new incubators, 31 innovation centers at national institutes.

- Setting up of 7 new research parks: Government shall set up seven new research parks - six in IITs, one in IISc with an initial investment of Rs 100 crore each.

- Promote entrepreneurship in biotechnology: Five new bio clusters, 50 new bio incubators, 150 technology transfer offices and 20 bio connect offices will be established.

- Innovation focused programs for students: There will be innovation core programs for students in 5 lakh schools.

- Panel of facilitators to provide legal support and assist in filing of patent application.

- 80 per cent rebate on filing patent applications by startups

- Relaxed norms of public procurement for startups

- Faster exits for startups

ICT as a major factor in the startup ecosystem in India

According to International Monetary Fund (IMF), India is the third largest economy in the world. A huge measure of this progression can be accredited to the success of the ICT sector. As per the statistics of a report, the Information and Communication Technology (ICT) industry in India contributed to about 9.5% of the

national Gross Domestic Product (GDP), which is about six times its contribution in 2000.ICT became prevalent by connecting devices and people and employing more technical personnel to serve their clients in India as well as globally. We also see a huge potential for our industry from the government's Make in India programme, as manufacturing of industrial, consumer and electronics goods will require ICT solutions to operate and deliver them.

The ICT sector in India has been predominantly driven by software services. However, most upcoming Indian startups in the ICT sector are product-based companies.
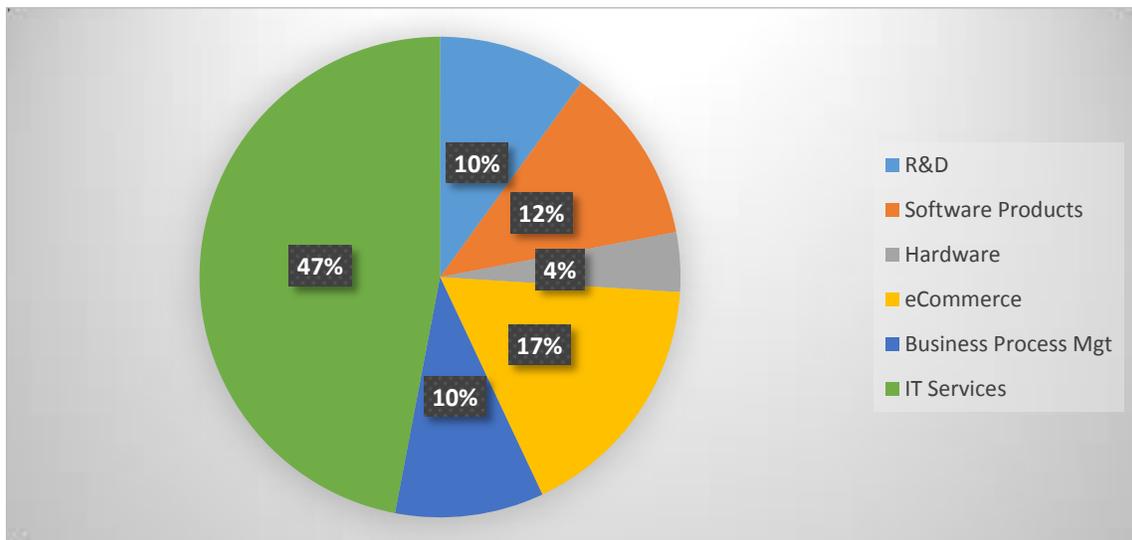
ICT – Role in the success of Start-Up India

Due to increasingly complex requirements of both domestic and foreign firms, investing in the latest technologies has become of paramount importance. Although highly penetrated verticals such as telecom and banking have invested heavily in technology since the early2000's, future investment is moving into next generation technologies to improve operational management, customer service and cost efficiencies to compete on a global scale. With technology playing a bigger role in fueling the Indian economy, the deployment and usage of technology is moving beyond large enterprises. Small and medium sized businesses and startups are adopting technologies faster than ever before. This has become possible mainly due to innovative technologies such as cloud computing, which enables new generation business models such as SaaS (Software as a Service), PaaS (Platform as a Service), IaaS (Infrastructure as a Service).

The advances in these ICT facilitates helps startups to deliver their new services to large enterprises across the globe in a profitable manner. These business models also have tremendous scope in the Business to Consumer (B2C) space in verticals such as travel, healthcare, consumer goods and financial services. This is where ICT growth can support Start-Up India campaign by helping companies to invest in newer technologies or products coming from startups across India. This helps the startups to not only grow in revenue terms but also in getting the support in terms of marketing, foreign patent holdings etc.

According to the Nasscom IT BPM Overview of 2014, ICT vertical wise breakdown is given below:

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Due to the impetus given in Start-Up India campaign the startups will be able to compete and include in their repertoire all the verticals given above in the chart.

- Research and Development already done will get cheaper and newer forms of research and development methodologies will take birth due to the inclusion of startups. This will help India in getting more varied and cheaper modes for R&D. ICT makes it easier for the R&D startups to attain the skills they need by helping them connect to the whole world. It also helps them to attain a treasure trove of newer ways to attain the desired results in much cheaper price point than before.

- As stated above, lot of startups are getting into Product Development in early stages. The hardware and IoT are getting their well-deserved place in the sun. ICTs are helping startups to gain a foothold through cheap technologies and easier approaches to challenges which a few years back seemed insurmountable.

- Startups dealing in BPMs are now very well placed in terms of reduction in initial investments due to lesser costs mainly due to promotion of ICTs. This generates a lot of new avenues for startups to make a mark and keep innovating on the highest level.

- ICTs like cloud computing are helping startups to negate higher infrastructure costs day by day. This will help Start-Up India to create more opportunities for startups which do not want to spend a huge amount of money on network infrastructures.

- Start-Up India can get immense support from ICTs to create a safe and secure IT security platform. Targeted attacks are increasing day by day and lot many startups are bearing the brunt of the same. This diminishes their level of competency and adds a costly element to their day to day expenses.

1. Role of ICTs in getting Investors

Due to the boom in ICTs, the sector has seen lot of investment options and investments. Indirectly, due to the investment climate, the Start-Up India campaign saw a whole lot of investors being interested. This will help the startups to gain necessary investments so as to scale their offerings to a wider range of consumers.

Startups like Jugnoo have been able to get a huge amount of investment due to the app which was developed on IoT platform keeping in mind the needs of common people. This happened because the ICTs are available and secure enough for the transactions to go through.

2. Role of ICTs in start-up ecosystem and support

As investors and investments rise, incubators, accelerators help to develop the startup ecosystem and creates support for the startups. Start-Up India will gain immense support from these ventures as they support early-stage entrepreneurs to grow exponentially. Additionally, availability of trained engineers due to ICT boom in last few years gives the startups a steady stream of intelligent and cost-efficient resources.

3. Role of ICTs in creating and enhancing innovative technologies

India has been continuously coming at par with technologies used across the developed world. ICTs in regards to India have been creating better or same

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technologies at a fraction of cost, which in turn will help in getting startups using Start-Up India platform to create cost-effective solutions.

In turn, more technology oriented MNCs would also set up shop making it easy for startups to exponentially grow their resources.

Challenges in India in the ICT Sector

Hurdles pertaining to bureaucracy may keep many startups to miss the platform of Start-Up India. The best way to negate the same is to communicate effectively all across India.ICT development at the grass-root level is appalling in India. This needs to be changed so that more and more people could join up with this campaign.A brand identity to Start-Up India is sorely missing, which in case developed further will create recognition and more participation from all areas of the society.

Recruitment and retrenchment processes need to be clearly defined and made easier for startups.

Conclusion

It is important that startups seeking growth opportunities in India have a long term vision as far as India as a potential market is concerned. Rapid Internet and mobile penetration, increasing demand for technology related services, a large number of small and medium sized business, favorable government policies and regulations makes India one of the most favorable destinations in the world. Hence, the incorporation of aspects like economic growth, encouraging government policies, and technical ability is making India a desirable terminus for international startups. These inclinations are expected to endure for the conceivable prospects and international startups have incredible prospects to bloat in India.

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