

Key Government Arms to Give Leg Up to Start Ups

Times of India, 10th November, 2015

<http://economictimes.indiatimes.com/small-biz/startups/key-government-arms-to-give-a-leg-up-to-start-ups/articleshow/49730012.cms>

Key government departments will put their heads together in a 'working group' to make it easier for startups to do business, the first major initiative by the Narendra Modi government which has coined the slogan 'Startup India Stand up India' to reflect its commitment to entrepreneurship.

Separately, the government is working on a startup policy which is expected to be announced by the prime minister in December, part of a string of measures to project an image of a startup-friendly administration.

On Monday, Nripendra Misra, the principal secretary in the Prime Minister's Office (PMO), chaired a meeting of heads of 12 government departments, and listened to ideas from startup founders as well as venture capital investors, people present at the meeting said.

"This is the first time that the PMO is holding such a meeting with the private sector ...we need to learn about issues from the horse's mouth," a senior government official said. India is one of the most powerful engines of global startup activity — it is home to eight 'unicorns' with a valuation of at least \$1 billion — and has attracted about \$8 billion in venture capital funding over three years. Estimates say that at least two startups are born every day in India, but once they attain any degree of scale, they domicile themselves overseas citing the hostile regulatory environment. At Monday's meeting, one of the main issues that came up for discussion was the time it takes to incorporate and wind up companies. It takes about two months to set up a company and three years to wind it up, inordinately long according to entrepreneurs. Convertible notes are not permitted for foreign investors in Indian startups and some banking regulations are seen as irritants. Among those present at the interaction were K Chandrashekhkar of Forus Health, Snapdeal Chief Executive Officer Kunal Bahl, iSPIRT's Sharad Sharma and R Natarajan of Helion Ventures.

In a sign of how serious Modi is about startups and innovation, he made a visit to Silicon Valley in September and met with the founders and top executives at some of the world's biggest technology firms. He came up with the 'Startup India Stand up India' slogan on Independence Day, but complaints have persisted that the government is not moving fast enough. High taxes, restrictions on credit card payments and weak intellectual property laws are cited as the top reasons for the exodus of startustartups to locations such as Singapore. There are 16 different direct and indirect taxes each in India that amount to 33.99per cent, as opposed to a one-time 17 per cent tax in Singapore, or 8.7per cent in Delaware, in the US. Earlier, a 40-point action plan was drawn up by the department of industrial policy and promotion in consultation with Soft-Bank President Nimesh Arora, Snapdeal's Bahl, Oyo Rooms founder Ritesh Agarwal, former Infosys director Mohandas Pai and several other representatives of the startup community.

Some of the issues highlighted were liquidation and winding up of companies, a crucial concern as budding entrepreneurs want a clean and quick exit should their venture fail. The startups had also requested the government to address delays in incorporation, employee stock options, lack of initial funding, cumbersome foreign exchange documentation and access to external commercial borrowings. The government is also looking at the possibility of reducing the number of compliances under 22 different Acts by having a single two-page Startup Act.

"Government intervention in the startup business should not end up in more red tape, rules, laws. They should enter this sector only if they can ease things and deregulate," a senior executive of a venture capital firm said.