

Start-ups should Venture Cautiously

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Start up India concept is a long awaited dream of young and energetic educated Indians. They can transform their dreams into reality through potential of creativity and innovation. The start-up India Action Plan launched by the Prime Minister, Mr. Narendra Modi, on 16th January 2016 has kindled the spirit of adventure among the country's youth. They can now go ahead with their dream ventures, taking advantage of the friendly ecosystem of easy registrations, liberal finance, tax benefits and a simplified regulatory system.

Definition of Start-up

A strong point of the Action Plan is a clear definition of what a start-up is. The document says a startup is, "an entity, incorporated or registered in India not prior to five years, with annual turnover not exceeding Rs. 25 Crore in any preceding financial year, and working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property." A start-up would cease to be a start-up the day it completes five years from the date of incorporation or registration.

From the above definition it is clear that a start-up should have something new to offer by way of product or service and this effort should involve technology or intellectual property, confirming there by the spirit and achievement of innovation of young entrepreneur.

Important Factors regarding start-up business

1. **Certification:** A start-up shall be eligible for tax benefits only after it has obtained certification validating the innovative nature of the business from the inter-Ministerial Board, set-up for such purpose by the Department of Industrial Policy and Promotion (DIPP).
2. **Registration:** To commence operations, start-ups require registration with relevant regulatory authorities. Delays in the registration process may lead to delays in establishment and operations of start-ups. To meet above mentioned requirements, Govt. of India is introducing a Mobile App to provide on the go accessibility for registering start-ups with relevant agencies of Government. A start up portal will also be set up in order to guide startup firms regarding various types of registrations.

3. **Self Certification Compliance:** The start-ups will be allowed to self certify compliance (through the start-up mobile app) with nine labour and environment laws. In case of labour laws, no inspection will be conducted for a period of three years.
4. **Public Procurement:** The start-ups will benefits from referred norms for public procurement. The idea is to provide an equal plate form to start ups (in the manufacturing sector) vis-à-vis the experienced entrepreneurs / companies in public procurements.
5. **Exit Process:** To meet a major demand of the sector, the Action Plan makes it easier for start-ups to wind-up their operations. The Action Plan says given the innovative nature of start-ups, a significant percentage fail to succeed. In the event of a business failure, it is critical to reallocate capital and resources to more production avenues and accordingly a swift and simple process has been proposed for start-ups to wind up operations.

The insolvency and Bankruptcy Bill (IBB) 2015, tabled in Lok Sabha and passed as on 5th May, 2015.

6. **Exemption from Income Tax:** To promote the growth of start-ups and address working capital requirements, the start-ups will have income tax exemptions for three years. This fiscal exemption will surely facilitate growth of business and meet the working capital requirements during the initial years of operations. The exemption shall be available subject to non-distribution of dividend by the start-up.

There are many success stories in startup business particularly in tech-start-ups. Some of the examples are Uber, Instagram, Snapchat, Flipkart and Snapdeal. There are many fields where startup companies prove their strength. These are taxi services, travel, tv, music, weather conditions, investment and properties. For startups, innovation and arrangements of timely finance is continuously process. If someone starts business he must explore the potential and learn before start up of own venture. Think hard about your idea. It works better if the idea is coming from your own personal experience. Sell as much as you can. Take feedback from your customer.

A Cautious Approach to be adopted by Startups:

It is very important to keep core business intact. Do away with experiments, startup ventures should be honest about their financials to employees. Employees should be properly awarded on the basis of productivity based on scientific performance parameters. Venture must have a conservative approach

about incoming revenues.

Startup venture should have a life style that supports the business choice. Reduce your needs. Do not promise something that you cannot deliver, save money for hard times. The important thing is to be transparent about the financials to win the trust of employees, customers and potential investors. Do not make unnecessary efforts to growth faster than you should.

Every thing is not easy in the world of startup. According to a survey by a famous business magazine, 90% of start-up fails and it has nothing to do with the disruptive product idea. There are more factors at play here like the team dynamics, funding and the sale ability of product.

So it is very important for a person who wants to venture new business, to take care of above mentioned points.