

## ROLE OF BANKING IN START-UP INDIA

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### **Abstract:**

*Banks are seen as source of finance for the one's who wants to do business in India whether it is public sector bank or private sector bank. Start-ups are new form of company formed by young entrepreneurs with innovative business model. When an idea of start-up arises the first question after screening of good business idea is source of finance thus from here banks came into light or we can say role of banks came in action. But start-ups faces high uncertainty and risk of failure of business thus any organised financial institution has little fear while investing in Start-ups. With government supports and policies start-ups began to flourish in India at an increasing rate. Banks are also helping the start-up enterprises to initiate an instant funding.*

### **Purpose of study:**

*The role of banking sector is expanding as compared with early introduction of Start-up enterprises. The study has been focused on policies made by government of India in banking sector for helping start-up to expand. Previously banks were not willing to invest in start-up due uncertainty in successful operation and high risk of failure of business.*

### **Introduction:**

In January 2016 “Start-up India” initiative was launched by government of India to meet the needs and boost the growing start-up economy in the country. Early funding source of start-up were private institution and non- institutional funders as banks were not that open to invest in the start-ups due to low success rate and high risky nature of enterprises. Indian banking industries are always one who want to play safe regarding investment they hardly give funds for start-ups. But with efforts of government of India banks started to respond to financing needs of start-ups and with in short span of time we can see the growth that is reaching all time highs of past records. With remarkable initiative of government of India the funding needs are met of start-ups as a result all are growing towards high growth. Higher return on investment is major cause that made banks invest in start-ups. The profitable the idea of start-up the more easily the funds are made available by banks. Hence due to investment in start-ups banks also wants to rid off the bad debts they are facing.

### **Objectives of Study:**

1. To study the policies laid down by government for banks to invest in Start-up India.
2. To study the growth of Start-up after investment by banks.

### **Explanation:**

#### **Concept of Start-up India:**

A start-up is an enterprise that is started by individual to give a shape to his business idea which has high scope of growth perspectives and degree of uncertainty is also high. Start-up faces many

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failures. But Start-up is good source of for job creation as well as for economy growth. The Start-up India initiative was launched by Prime Minister Shri Narendra Modi in August 2015. A Start-up can be single entity, in partnership, limited liability partnership which has its headquarter situated in India and was opened less than 5 years ago and has a turnover of less than 25Crores. There are many principles of Start-up.

**Lean start-up:** it is a popular set of principles to create and design Start-ups under limited resources and has wide risk of uncertainty to build their ventures more flexibly and at lower -cost.

**Market Validation:** validation of market is necessary so that the idea does not become weak in demand.

**Design Thinking:** it is used to understand the customers need in an engaged manner.

**Decision-making under Uncertainty:** decisions are made under uncertainty and hence a key principle for Start-ups is to be flexible.

**Monitoring:** enterprises should seek feedback from mentors in creating their start-ups

**Benefits given by government to Start-up enterprises are as follow:**

1. **Simple process:** government has launched mobile apps and websites for easy registration of Start-ups with uploading required documents.
2. **Reduction in cost:** the government also provide lists of facilitators of patents and trademarks. The government will bear all facilitators fees and the start-up will bear only the statutory fees.
3. **Tax holiday for 3 years:** start-up will be exempted from income tax for 3 years they get a certificate from Inter-Ministerial Board.
4. **Apply for tenders:** start-up can apply for government tenders as they are exempted from prior experience and turnover criteria for normal companies answering to government tenders.
5. **Research and Development:** seven new research parks set up to support start-up in research and development sector.
6. **Tax saving for investors:** people investing in start-up can avail benefit in tax by investing in capital gains.
7. **Easy exit:** in case of exit a start-up can close its business within 90 days from the date of application of winding up.
8. **Meet other Entrepreneurs:** government hold 2 annual fest so that national entrepreneurs can meet international entrepreneurs for wide networking.

**Governments Role:**

The Ministry of Human Resources and Department of Science and technology has agreed to support 75 Start-ups hubs at national institute of technology, the Indian Institute of Information Technology , the Indian Institute of Science Education and Research and National Institutes of Pharmaceutical Education and Research.

**Government Initiatives:**

1. More than 4000 start-ups have benefitted in last year through various programs of central government.
2. 960crore of funding has been enabled to start-ups through various schemes.
3. 828crore sanctioned funds for infrastructure.

**Credit Guarantee:**

Credit Guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/SIDBI is being envisaged with budgetary corpus of INR 500crore per year for the next 4 year.

**Government Grants:**

1. NIDHI-INR 10 LAKH to 20 student Innovations from Innovation and Entrepreneurship Development Centres (IEDC).
2. Uchhattar Avishkar Yojana-INR 250crore per annum to faster “very high quality” research among IIT students.
3. Annual incubator Grand Challenge.

**Industry/Academia:**

- 1.31 Innovation Centres and 13 Start-up Centres are set up by government.
- 2.18 Technology Business Incubators, 7 Research parks and 500 Atal Tinkering labs.
3. 35 new Incubators in existing institutions, 35 new private sector incubators with funding support from the government.

**Government Events:**

Organising START-UP fests for showcasing Innovation and providing a platform for collaboration. Start-up talk shows.

**Banking sector Initiatives:**

Reserve Bank of India has created a dedicated mailbox to provide guidance to start-up. They also helped in setting cross border transaction and facilitated necessary guidance from FEMA.

**Initiatives by other banks:**

**Axis Bank:** the bank has launched is initiative known as “**Thought Factory**” under this initiative bank help various start-ups which are at stages of maturity and also help those start-up which are at stage of ideation level. With “**Thought factory**” banks helps start-up in technologies such as – Artificial Intelligence, Mobility, Block-Chain and subsequently roll them into main stream business operation.

**HDFC Bank:** initiative launched by HDFC bank is “**SMART-UP**” it is a zonal initiative it helps start-up with banking and payment solution and benefit in current account waivers for first 6 months extended to 12 months. Salary accounts to employees by waiving minimum number of employees criteria.

**ICICI Bank:**

“**I START-UP GARAGE**” is the name of initiative that is started by HDFC bank under this initiative bank provide space to work in addition to range of advisory services to budding enterprises who want to set up in sectors like Finance, Biotechnology, HI-tech Farming and Health care.

**State Bank OF India:**

“**IT-ISEP**” is the initiative set up by state bank of India under this bank shall consider investments and debts up to INR 3crore to Indian registered entity only. This is done for promoting business innovation using Information technology in India.

**Conclusion:**

With banks launching initiative such as Zonal Start-up, Thought Factory, IT-SEP and I Start-up garage the scope of start-up in India has increased and which leads to growth of economy as well but this could not be possible if government support was not there for start-up enterprises. The grants, the credit schemes, the events, the industry set up moves all helped in rise of start-up enterprises, which is why the number rises to 4000+ start-up during 2018 and funding that enabled to start-up is all time high 960crore.

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