

India to Launch 'Start-up India Seed Fund Scheme'

written by iasexam.com | 01/02/2021



The Indian government has approved the Startup India Seed Fund Scheme (SISFS), which will provide early-stage funding to tech startups via a corpus of INR 945 Cr, to be disbursed through select startup incubators between 2021-25.

The Startup India Seed Fund was announced by Prime Minister Narendra Modi earlier this month to mark the fifth anniversary of the Startup India initiative. The funding will be provided for proof of concept, prototype development, product trials, market entry and commercialisation.

Key Highlights

- With the official gazette notification for the SISFS, the commerce ministry has also revealed the eligibility criteria for startups that wish to apply for the scheme.
- Only startups registered and recognised by the Department for Promotion of Industry and Internal Trade (DPIIT), the implementation agency for SISFS, will be eligible for the funding. As of this month, there are 42,813 Indian startups recognised by DPIIT. Startups also need to be incorporated not more than two years ago at the time of application.
- The gazette notification also includes detailed guidelines for startup incubators looking to participate in the scheme.
- The applicant startups must have a business idea to develop a product or a service with the right market fit, viable commercialisation, and scope of scaling. Further, startups should be using technology in their core product or service, or business model, or distribution model, or

methodology.

- While the scheme is sector-agnostic, the notification mentions that startups creating innovative solutions in sectors such as social impact, waste management, water management, financial inclusion, education, agriculture, food processing, biotechnology, healthcare, energy, mobility, defence, space, railways, oil and gas, textiles, etc, would be given preference.
- Only startups which have at least 51% shareholding by Indian promoters at the time of their application to a startup incubator for the scheme, will be eligible for a financial award.
- An eligible startup would receive up to INR 20 lakh as a grant for validation of proof of concept, or prototype development, or product trials. The grant will be disbursed in milestone-based instalments. The startup would also be eligible for an award of up to INR 50 lakh through convertible debentures or debt or debt-linked instruments, to be utilised for market entry, or commercialisation, or scaling up.

SOURCE: *Business Standard*