

# MP Startup Policy 2022: A Roadmap To Self-Reliant

Dr. Pawan Pushpad\*

\*Assistant Professor, Sage University, Indore (M.P.) INDIA

**Abstract** - The objective of this research paper is to assess the concentration of investment in Madhya Pradesh State level startup ecosystem and to assess the performance of MP Government Startup Policy 2022 launched for benefitting startups in the State. Descriptive Characteristics were used to explain the policy.

The performance of MP Government Startup Policy 2022 meant for startups is limited. This study contributes to scant academic literature available on investment trends and performance of MP Government Startup Policy 2022 related to State's startups. It highlights huge spatial and sectorial benefits of the Government Initiative.

This paper is intent to explore the major Characteristics of the policy and Incentive to startups in Madhya Pradesh and discuss the various opportunities of startups in State by using a literature-based analysis.

**Keywords:** Startup, Entrepreneurship, Action Plan, Substantial effort, Incentive to Startups, Innovation, G.S.R. notification.

**Introduction** - "Startup India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Startups in the country."

"Startup an entity which is recognized by Startup India under the Government of India, Ministry of Commerce and Industry Department for Promotion of Industry and Internal Trade and is established and registered in the State of Madhya Pradesh."

A state with a large area and high economic development, Madhya Pradesh is the second largest in the country by area. In recent years, the State Government has implemented investment-friendly policies, simplified procedures related to industry and business, and invested significantly in developing economic and social infrastructure. As a result, the investment climate in the State has increased. Through innovation and entrepreneurship, the State Government has endeavored to create a maximum number of jobs for the local youth.

The first Start-up policy in this series was implemented by the state in the year 2016. Keeping in mind the dynamics of the Start-up sector, the new start-up policy was again implemented in the year 2019. In the dynamics of Innovation and Start-ups, changes in the global economic environment, regulatory amendments, the New Education Policy of the Government of India and Start-up ranking of states, and above all a policy to fulfill the objectives of Aatmanirbhar Bharat Abhiyan and Atmanirbhar Madhya Pradesh Roadmap 2023, another review has become necessary.

Therefore, to make the Start-up Policy more holistic, inclusive, integrated, and effective, it has been decided to

implement the "MP Start-up Policy and Implementation Plan-2022" by the State government. Under the new policy, the State Government has made special efforts to instill the spirit of innovation and start-up in students at the school/ college level. As a result, the State government hopes to significantly alter the entrepreneurial and innovation landscape of the State, providing an impetus to the start-up community. To this end, the State Government has taken steps to create a conducive environment for the growth of start-ups and has implemented policies that incentivize the same. Integrated arrangements have been made for effective adoption of the policy's provisions by various government departments for comprehensive implementation of the policy. The objective is to provide Institutional support, Ease of doing business, basic infrastructure, supporting procurement policy, marketing, and other promotional support to Start-ups, not limited to just financial assistance. A notable aspect of the procedure is the inclusion of special fiscal and non-fiscal incentives to encourage product-based start-ups.

**Significance of the Study:** Starts ups have played and continue to play significant roles in the growth, development and industrialization of many economies all over the world. Startup is flagship initiative of the government of India, intended to build a strong ecosystem for nurturing innovation.

In order to give impetus to the start-up movement in the country and to fulfil the objectives of Aatma Nirbhar Bharat Abhiyan and Atma Nirbhar Madhya Pradesh Roadmap 2023, the state government has launched "MP

**Start-up Policy and Implementation Scheme 2022**". Startup will drive sustainable economic growth and generate large scale employment opportunities and minimize unemployment.

**Research Methodology:** The study is based on the secondary data which has been collected through MP State Govt Policy journals, magazines, newspapers, research papers, books and websites etc.

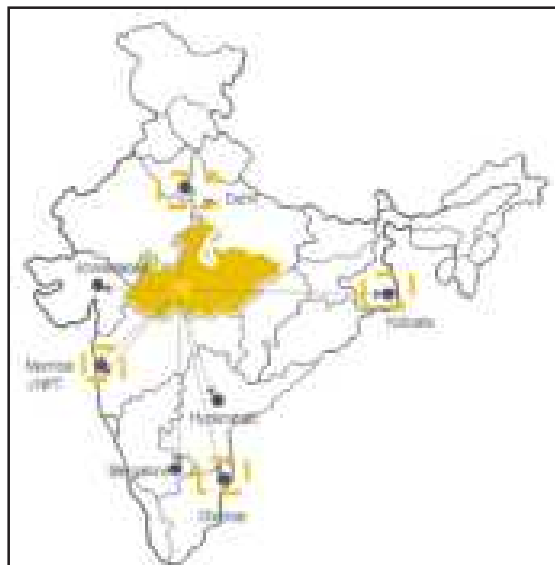
**Objective of the Policy:** The main objectives of the Start-up Policy and Implementation Scheme, 2022, in the state:

- Development of Start-up ecosystem through positive interventions and other catalytic programs.
- To achieve 100% growth rate in start-ups registered and recognized in Start-up India, Government of India.
- To achieve 200% growth rate in start-ups in Agriculture and Food Sector registered and recognized with Start-up India, Government of India.
- Increase in the number of product-based start-ups.
- Establishment of new incubation centres and capacity expansion of existing incubation centres.
- Special programs to inculcate the spirit of innovation and start-up among students from school/college level.
- Developing a culture to solve economic and social problems through innovation and start-ups.
- To get the higher ranking in the State Start-up Ranking Framework of the Government of India.

**Operative period of the Policy:** This policy shall remain in force in Madhya Pradesh for a period of 5 years from the date of its notification, or until it is replaced by another policy, whichever is earlier.

**Start-up Ecosystem of Madhya Pradesh:**

#### 1. Centralized geographic location of the State:



#### 2. Start-ups in the State:

- 3314 DPIIT Preferred Start-ups,
- 378 Start-ups are Registered with MP Government,
- 42% Start-ups Run by Women,
- 35 + Start-ups are in Manufacturing sector,

- 1800+ Start-ups are in Service Sector ,
- 3 Start ups got patent,
- 54 Registered Mentors,
- 8 Registered Angel Investors

#### 2. Incubators in the State:

- 50+ Incubator,
- 3 Atal Incubation Centre (Atal Innovation Mission),
- 2 STPI Incubator,
- 1 DST, Govt. of India TBI,
- 1 Apparel Incubation Centre – Textile Ministry Govt. of India
- 6 Smart City Incubator (Indore, Bhopal, Jabalpur, Gwalior, Stana, Sagar)

#### Support and Assistance to Start-ups and Incubators:

Institutional, marketing, financial and business facilitation are the pillars to develop the Start-ups and Incubators ecosystem and provide them with the necessary support. The state government is determined to make the state an investment destination for Start-ups, especially Product-based start-ups, through these pillars.

#### Institutional Support:

**1. MP Start-up Centre:** A Centre established with the help of Madhya Pradesh Laghu Udyog Nigam (MPLUN) for facilitation and providing necessary support to start-ups in the state, the centre will act as a dedicated agency for promoting, strengthening and facilitating the start-up ecosystem in the state.

**2. Development of Online Portal:** A robust online portal will be developed for start-ups in the state, which will act as a bridge for mutual connects between start-ups, investors, incubators and other stakeholders.

**3. Academic Support & Participation:** In order to encourage start-ups, especially product-based start-ups and innovations in the state and to provide necessary technical and guidance support.

**4. Ease of Doing Business (EoDB):** For smooth operation of the start-ups and incubators of the state, they have to be facilitated to meet various regulatory requirements.

#### Marketing & Liquidity Support / Assistance:

- Provisions will be made in the Madhya Pradesh Store Purchase and Service Procurement Rules, 2015.
- Exemption from experience and turnover related conditions/criteria for start-up enterprises participating in government tenders up to Rs.1 crore.
- Proof of concept will be accepted for start-ups in tenders related to service procurement of more than Rs 1 crore.
- All the Tenders (NIT)/Request for Proposal (RFP) of the State Government will be exempted from Security/ Earnest Money Deposit (EMD)
- Linked to the TReDS Platform (Trade Receivable Discounting System) authorized by the Reserve Bank of India as far as possible, so that the start-ups do not face liquidity crunch.

### Financial Assistance to Start-ups:

1. For a start-up that has received funds/investments from a financial institution recognized by SEBI (Security and Exchange Board of India)/RBI, assistance will be given at the rate of 15% maximum up to Rs. 15 lakhs, of the first investment received.
2. Startups set up by Women/Scheduled Caste/Tribe entrepreneurs will be given 18 percent maximum assistance of Rs. 18 lakhs on the total funding/investment received and within the maximum limit of Rs. 72 lakhs in four phases.
3. 50% up to a maximum of Rs. 5000/- per month lease rental assistance for three years, on the rent paid per month for the workspace taken on lease by the startups.
4. Maximum assistance of Rs. 5 lakhs for obtaining a patent subject to the condition that the patent is obtained for a start-up established in the state.

### Financial Assistance to Incubators:

1. Assistance of Rs. 5 lakhs will be given to the concerned incubators located in Madhya Pradesh when its startup got the funding.
2. Assistance of Rs. 5 lakhs per event to incubators located in Madhya Pradesh for organizing events related to start-ups not exceeding Rs. 20 lakhs per annum.
3. Onetime assistance of Rs. 5 lakhs for the up-gradation of Incubators, but to avail this facility, each Incubator will have to increase its existing seat capacity by an additional 20%. This facility will be available only once in the entire life of the incubator.

### Special financial assistance and support for product-based start-ups:

1. Concurrent License/Consent facility for one year.
2. Training Expenditure Reimbursement –will be given to a maximum of 25 employees per new employee Rs 13000 per year for three years.
3. Employment Generation Assistance - will be eligible to get the benefit of assistance of Rs. 5000 per employee per month. The assistance period will be maximum 3 years and will be given to maximum 25 employees only.
4. Exemption on Electricity Duty - All eligible new units having new electricity connection shall be exempted from electricity duty for 3 years from the date of connection.
5. Concession in Electricity Tariff - at a fixed rate of Rs. 5 per unit for 3 years from the date of commercial production in the unit.
6. The benefits of the facilities provided in the prevailing MSME Development Policy, will be available subject to the conditions.

### Government Initiative to promote Startups:

1. Startup Policy-2022 is going to start in Madhya Pradesh. This policy will prove to be a milestone for those starting startups in the state. Under this startup

policy, special programs will be organized to inculcate the spirit of innovation and startup among school and college students. Along with this, Entrepreneurship Development will be included in the academic curriculum.

2. Madhya Pradesh has taken a step forward to fulfill the dream of making the country self-reliant. Government launched a new campaign "Start-up India, stand up India" to promote bank financing for start-ups and offer incentives to boost entrepreneurship and job creation.
3. State Government already launched the portal to initiate the facilitate to startups e.g. <https://startup.mp.gov.in/>
4. Startup who is recognized by Startup India, DPIIT, GoI can login in MP Startup Portal by using the same username and password what they have used for login on Startup India Portal.
5. Startups who have successfully logged in to MP startup portal can apply on for financial assistance on the Portal itself, with all the relevant documents.
6. It will include hand-holding for all things related to them, which includes mentoring, linking companies with universities and institutions, giving marketing support, consultancy on intellectual property rights and providing easy regulatory mechanism for them so that they do not have to run from one door to another.
7. It would also offer direction in terms of how they can access funds and scale up capacity.

### Setting up incubators:

1. Government intends to create a policy and framework for setting up incubators across the country in PPP mode.
2. Incubators are set up to provide startups with office space and basic services.
3. Setting up of incubators will free up funds and allow them to focus on core business functions.

**Challenges for State's Startups:** State start-up industry is on the up-swing since last few years, with multiple global investors eyeing the India start-up space; it is slated to grow larger than before. The MP Government is leaving no stone unturned to provide start-ups with the best of opportunities to grow and shine in the market. However, in spite of the numerous opportunities provided by the government, the road blocks are not few for the companies.

### Challenges:

**a. Government Policies:** The government policies are slowly and steadily increasing, although, it must be noted that India still maintains a dismal ease of doing business ranking as per the World Bank report. The government has taken proactive measures for funding and developing the eco-system, however, we witnessed a slowdown in the start-up space, as there was a dip of almost 50% in the registration of new start-ups in 2016 as compared to 2015; this trend has proved that the policy change has not really given a push to aspirants.

**b. Talent:** Skilled talent is hesitant to join start-ups, as

they have witnessed in the past mass firing and downsizing. Also, early stage or pre-series-start-ups have lesser pay than their corporate peers. Most start-ups in a bid to outgrow, hire inadequate talent without processes, and finally end up on the losing side.

**c. Funding:** Raising the capital has been a long-drawn challenge for start-ups. Angel investment and seed investment is easier to find, as the amounts are smaller, it has gotten much tougher to go for later stage rounds, as companies burn too fast and do not look at unit economics. Very limited funding is available in forms of larger cheque in India. In our eco system (India) we patronize the founder, and not the company, and sometimes the founder can be caught up in glamour of funding. Entrepreneurs should set the goals for the next 5 years and should not be obsessed with raising the funds.

**d. Lack of Basic Infrastructure:** lack of comprehensive infrastructure is perhaps the biggest drawback faced by businesses within the SMB/SME ecosystem. Since there is still a significant percentage of SMEs that operate within the unorganized space, the lack of basic facilities and absence of marketing platforms makes it extremely difficult for such businesses to thrive and/or compete with stronger players in the market.

**Conclusions:** The current economic scenario in Madhya Pradesh is on expansion mode. The State government is increasingly showing greater enthusiasm to increase the state's part in GDP rate of growth from grass root levels with introduction of liberal policies and initiatives for entrepreneurs. With the idea **Tum Mujhe Ideas do, main tumhein avsar doonga. (You give me ideas, I will give you opportunities)** State Government launched the MP Startup Policy 2022, 'MP Startup Policy 2022' is great opportunity for the state's start-ups. Policy include the Institutional, marketing, financial Assistance and business facilitation, as our youth have innovative ideas, strong will power, the policy will able to put them in the right direction with the right support, then not only Indore, but the whole of Madhya Pradesh will become the start-up capital of India. Start-ups are the future wealth-creating phenomenon of India. In the next 25 years, this world will be driven by knowledge and innovation, and State's start-ups will lead

the way.

In India, the opportunities for the start-ups are immense, but so are the challenges. It will take combined efforts from the government and the start-ups to overcome these challenges.

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