



Startup India Seed Fund Scheme

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Why in News

Recently, the Government has launched the **Startup India Seed Fund Scheme (SISFS)**.

The Scheme was announced during the '**Prarambh: StartupIndia International Summit**' which marked **the five-year anniversary of the Startup India initiative**.

Key Points

- **About the Startup India Seed Fund Scheme (SISFS):**

- **Aim:** To provide financial assistance to startups for proof of concept, prototype development, product trials, market entry, and commercialization.
- **Launched by:** Department for Promotion of Industry and Internal Trade (DPIIT) with an outlay of Rs. 945 Crore.
- **Some Eligibility Conditions:**
 - A startup, recognized by DPIIT, **incorporated not more than 2 years ago** at the time of application.
 - Startups **should not have received more than Rs. 10 lakh of monetary support** under any other Central or State Government scheme.
- **Features:**
 - It will **support an estimated 3,600 entrepreneurs through 300 incubators** in the next 4 years.
 - An **Experts Advisory Committee (EAC)**, constituted by DPIIT, will be **responsible for the overall execution** and monitoring of the Scheme.
 - **Grants of upto Rs. 5 crore will be provided to the eligible incubators** selected by the committee.
 - The **selected incubators will provide grants of up to Rs. 20 lakh** for validation of proof of concept, or prototype development, or product trials to **startups**.
 - **Investments of up to Rs. 50 lakh will be provided to the startups** for market entry, commercialization, or scaling up through convertible debentures or debt-linked instruments.
- **Expected Benefit:**

It will **help in creating a robust startup ecosystem in Tier 2 and 3 regions**, as the smaller towns in India are often not provided with appropriate funding.

- **About Startup India Initiative:**

- It **envisages building a robust Startup ecosystem in the country** for nurturing innovation and providing opportunities to budding entrepreneurs. It was launched in 2016.
- The **action plan** of this initiative **focuses on following three areas:**
 - Simplification and Handholding.
 - Funding Support and Incentives.
 - Industry-Academia Partnership and Incubation.

- **Related Government Initiatives:**

- **Startup Innovation Challenges:** It is a fantastic opportunity for any startup to leverage their networking and fund-raising efforts.
- **National Startup Awards:** It seeks to recognize and reward outstanding startups and ecosystem enablers that are contributing to economic dynamism by spurring innovation and injecting competition.
- **Ranking of States on Support to Startup Ecosystems:** It is an evolved evaluation tool aimed to strengthen the support of States and UTs to holistically build their startup ecosystems.
- **SCO Startup Forum:** The first-ever **Shanghai Cooperation Organisation (SCO)** Startup Forum was launched in October 2020 to develop and improve startup ecosystems collectively.
- **Prarambh:** The 'Prarambh' Summit aims to provide a platform to the startups and young minds from around the world to come with new ideas, innovation and invention.

Seed Funding

- It typically **represents the first official money** that a business venture or enterprise raises.
- It helps a company to finance its first steps, including things like market research and product development.
- There are many potential investors in a seed funding situation: founders, friends, family, incubators, venture capital companies and more.
- One of the most common types of investors participating in seed funding is a so-called **"angel investor."**

Angel investors tend to appreciate riskier ventures (such as startups with little by way of a proven track record so far) and expect an equity stake in the company in exchange for their investment.

Department for Promotion of Industry and Internal Trade

- The department was earlier called Department of Industrial Policy & Promotion and was renamed as DPIIT in January, 2019.
- It comes under the **Ministry of Commerce and Industry.**
- In 2018, matters related to **e-commerce** were transferred to the Department and in 2019, the Department was given charge for matters related to Internal Trade, welfare of traders and their employees and Startups.
- The role of DPIIT is to promote/accelerate industrial development of the country by facilitating investment in new and upcoming technology, **foreign direct investment** and support balanced development of industries.

Source: PIB