

## Startup India Seed Fund Scheme (SISFS)

The Startup India Seed Fund Scheme aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialisation.

On February 5, 2021, the Government of India made an official announcement about the approval of SISFS. It has been approved for a period of four years and was implemented with effect from April 1, 2021.

### About the SISF Scheme

- The Scheme aims to provide financial assistance to startups at the very initial stage of their project
- It has been approved for a time period of four years, starting from 2021-22
- Rs. 945 Crore corpus will be divided over the next 4 years for providing seed funding to eligible startups through eligible incubators across India
- It is expected that the Startup India Seed Fund Scheme shall help over 3600 startups in the country
- This scheme is in line with the Atmanirbhar Bharat Campaign launched in May 2020
- Seed Fund to an eligible startup by the incubator shall be disbursed as follows:
  - Up to Rs. 20 Lakhs as a grant for validation of Proof of Concept, or prototype development, or product trials
  - Up to Rs. 50 Lakhs of investment for market entry, commercialisation, or scaling up through convertible debentures or debt or debt-linked instruments

### What is Seed Funding?

Seed funding or seed-stage funding is a very initial investment. Generally, investors often get an equity stake in exchange for the capital invested. In case the founders use their savings to start up a business, it is called bootstrapping.

### What is the need for Startup Seed Funding Scheme in India?

The Indian startup ecosystem suffers from capital inadequacy in the seed and 'Proof of Concept' development stage. The capital required at this stage often presents a make or break situation for startups with good business ideas.

Many innovative business ideas fail to take off due to the absence of this critical capital required at an early stage. If seed funding is offered to such promising cases, then they can have a multiplier effect in validation of business ideas of many startups, leading to employment generation in the country.

## Who all are eligible for SISFS?

The eligibility criteria for a startup to apply under the Startup India Seed Fund Scheme shall be as follows:

- The startup must be recognised by the Department for Promotion of Industry and Internal Trade (DPIIT)
- It must have incorporated not more than 2 years ago at the time of application
- Preference would be given to 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.
- The startup should not have received more than Rs 10 lakh of monetary support under any other Central or State Government scheme
- Shareholding by Indian promoters in the startup should be at least 51% at the time of application to the incubator for the scheme

## What is the Experts Advisory Committee (EAC) under SISFS?

DPIIT shall constitute an Expert Advisory Committee that will be responsible for the overall execution and monitoring of the Startup India Seed Fund Scheme. The EAC will evaluate and select incubators for allotment of Seed Funds, monitor progress and take all necessary measures for efficient utilisation of funds.

Members from different departments shall be appointed in EAC, which comprises:

- A Chairman
- Financial Advisor, DPIIT or his representative
- Additional Secretary/ Joint Secretary/ Director/ Deputy Secretary, DPIIT
- One Representative each from:
  - Department of Biotechnology (DBT)
  - Department of Science & Technology (DST)
  - Ministry of Electronics and Information Technology (MeiTY)
  - Indian Council of Agricultural Research (ICAR)
  - NITI Aayog
- At least three expert members nominated by Secretary, DPIIT from the startup ecosystem, investors, experts in the domain of R&D, technology development and commercialization, entrepreneurship and other relevant domains