

Startup India Seed Fund Scheme (SISFS)

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In News: Startup India Seed Fund Scheme (SISFS) has been approved for the period of next four years starting from 2021-22. It will be implemented with effect from 1st April 2021.

About Startup India Seed Fund Scheme (SISFS)

- The Scheme aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization.
- Rs. 945 Crore corpus will be divided over the next 4 years for providing seed funding to eligible startups through eligible incubators across India.
- The scheme is expected to support about 3600 startups.
- This scheme will be implemented by the Department for Promotion of Industry and Internal Trade (DPIIT).
- Preference will be given to the startups having innovative ideas in the sectors like- education, textile, agriculture, food processing, oil and gas, railways etc.

Eligibility criteria of this scheme

- The startup must have such a business idea to produce a product or a service which can fit the market requirements, has feasible commercialisation and there is a scope of scaling for such product or service.
- Only those startups which use technology in developing its product or service, or in distribution model can apply for this scheme
- The startups which are recognised by DPIIT and were incorporated not more than two years ago at the time of their application for the scheme will be eligible for

this scheme.

- Only those startups which have at least 51% shareholding by Indian promoters at the time when they apply for the scheme are eligible.
- Only Startups which have not received more than 10 lakh of monetary support under any other state government or central government scheme. Provided, this amount does not include prize money, subsidised working space etc.
- Any startup applying for this scheme will not receive seed support for more than once as per the notification by the government.
- The eligibility criteria for incubators include-
 - It must be a legal entity
 - It is operational for at least two years on the date of application to the scheme, and has the facilities to seat at least 25 individuals as well as having at least five startups undergoing incubation physically.
 - The incubators should have a full-time Chief Executive Officer, supported by a proficient and team.

Guidelines for Disbursement of Seed Fund to Startups by Incubators

- Seed Fund to an eligible startup by the incubator shall be disbursed as follows:
 - Up to Rs. 20 Lakhs as grant for validation of Proof of Concept, or prototype development, or product trials. The grant shall be disbursed in milestone based installments. These milestones can be related to development of prototype, product testing, building a product ready for market launch, etc.
 - Up to Rs. 50 Lakhs of investment for market entry, commercialization, or scaling up through convertible debentures or debt or debt-linked

instruments

- Seed fund shall strictly not be used by startups for creation of any facilities and shall be utilized for the purpose.
- Seed funds granted for Not more than 20% of the total grant to an incubator shall be given as grants to startups by incubator. Rate of interest (as defined under GFR) on unutilized funds available with incubator would also be taken into account and adjusted at the time of next release by DPIIT.