India–EU Common Agenda on Migration and Mobility

Facilitating the admission and growth of EU-based start-ups in India and Indian start-ups in the EU

CHALLENGES AND OPPORTUNITIES

India–EU Cooperation and Dialogue on Migration and Mobility Project

ICM India Centre for Migration
Local Partner

ICMPD International Centre for Migration Policy Development
Implementing Partner

International Labour Organization
Implementing Partner

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Challenges and opportunities

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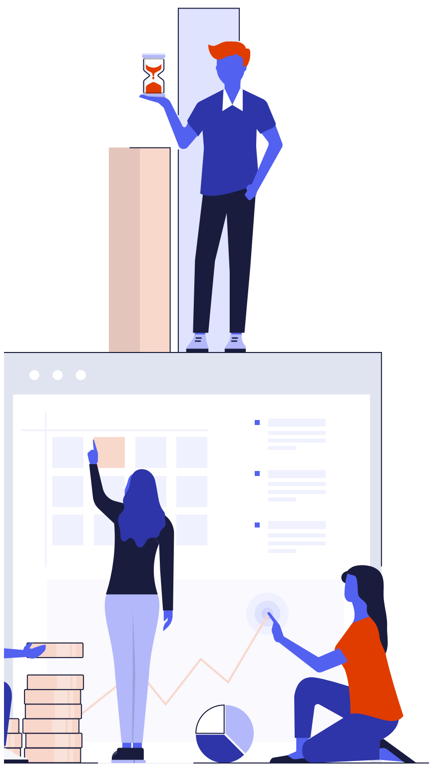


We are extremely grateful to the multiple stakeholders including the Startup Europe India Network, German Indian Startup Exchange Program, Indo-French Chamber of Commerce & Industry, Make Room Europe, Hofstede Insights, Invest India and Meetra who helped us to understand the opportunities and issues faced by the EU-based start-ups in India and Indian start-ups in the EU. We would especially like to thank the start-ups which participated in the survey and gave us detailed inputs. Anu Mohandas, ICRIER, helped us compile the list of stakeholders.

EU–India Cooperation and Dialogue on Migration and Mobility project

The EU–India Cooperation and Dialogue on Migration and Mobility project is designed to support the EU–India High Level Dialogue on Migration and Mobility and the implementation of the Common Agenda for Migration and Mobility (CAMM), a policy framework signed by the EU and the Indian government in 2016. This EU- and GoI-supported project, co-implemented by the ILO and International Centre for Migration Policy Development has the overall objective to contribute to the better governance of migration and mobility between the EU and India through a balanced approach, addressing issues of regular migration, irregular migration, migration and development, and international protection. Achieving the following project outputs is expected to contribute to the realization of the objective of the project.

a. Strengthened dialogue on issues related to migration and mobility between India and the EU

b. Improved knowledge base on migration flows between India and the EU

c. Enhanced institutional capacity on the management of labour migration

d. Increased awareness on best practices and international standards on migration governance

The project design is also aligned to the four pillars of the CAMM: focusing on promoting regular migration, preventing irregular migration, maximizing the development impact of migration, and promoting international protection. Priority 1 on regular migration and fostering well-managed mobility in the EU–India Joint Declaration on the Common Agenda for Migration and Mobility includes "exploring possibilities for enhanced mobility of business persons … in a safe and secure environment, including through efficient grant of visas for those categories". A significant and emerging category of businesspersons are entrepreneurs and in a global economy, foreign entrepreneurs. This paper examines the key challenges and opportunities that exist for EU-based entrepreneurs in India and the advantages and challenges faced by Indian entrepreneurs in the EU.

The ILO's Employment Policy Convention, 1964 (No. 122) urges ILO Member States to declare and pursue an active policy to promote full, productive and freely chosen employment. The Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189) advises ILO Member States to develop a culture of entrepreneurship as well as effective service infrastructure to promote and strengthen entrepreneurial activity, especially with regard to small and medium-sized enterprises. The recommendation underscores the need to stimulate innovation, entrepreneurship, technology development and research, and enable market conditions and policies that improve the attractiveness of entrepreneurship. More recently, the policy-level national and regional dialogues on Future of Work led by the ILO take cognizance of the emerging role of start-ups[1] and recommends, among other things, the introduction of comprehensive entrepreneurship policies.

As is evident from their flagship programmes, both India and the EU have prioritized in their policies the growth of their start-up ecosystem as a means towards creating new jobs and boosting local as well as global economy. Based on the findings of this paper, a set of recommendations are presented as ways to advance the bilateral dialogue on the EU–India start-up ecosystem.

1. The paper deploys the usage of the hyphenated compound word "start-up", unless in reference to any publication title or government legislation/scheme where "startup" is used.

Abstract

A number of countries including EU Member States, Canada, China, India, Israel and Singapore have come up with fiscal and non-fiscal incentives to promote start-ups as high-growth firms that have the potential to create more jobs as compared to traditional firms, and bring in technology and investment. While a number of countries have specific policies to attract foreign start-ups, which include start-ups visas, India does not. Recognizing that foreign start-ups can contribute to technological innovation, enhance foreign investments and create new forms of quality employment in India and the EU, this paper discusses how India and the EU can support the entry and scaling up of foreign start-ups. The paper is based on two primary surveys, one of EU and other foreign start-ups in India, and one of Indian start-ups and relevant incubators in EU Member States. The report examines their experiences and their contribution to the respective economies, and identifies the mobility-related and other difficulties they face in establishing or expanding their businesses. The paper then makes policy recommendations, which aim to support India and EU Member States to attract foreign start-ups, bring in technology and investment, and help create jobs.

Keywords: Start-up, Mobility, India, EU, Policy

JEL Classification: C83, F2, F66, L26

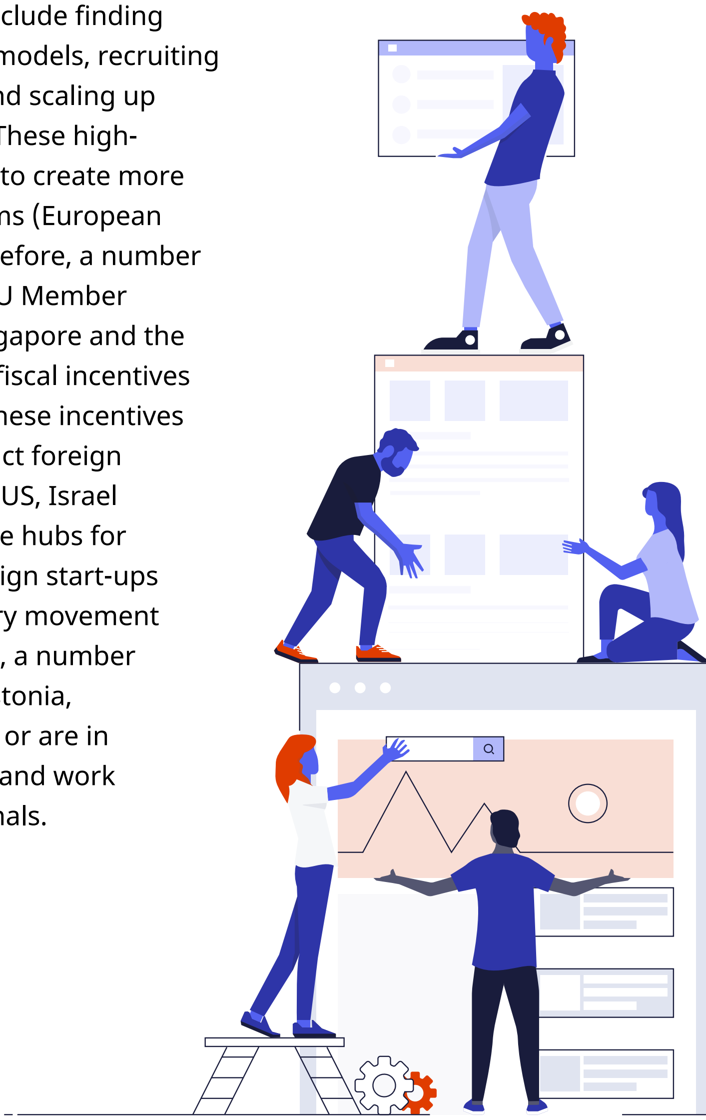
Abbreviations

AIP	Access India Programme
ASSOCHAM	Associated Chambers of Commerce and Industry of India
CAGR	Compound annual growth rate
CAMM	Common Agenda for Migration and Mobility
CEO	Chief executive officer
DG-CNECT	Directorate-General for Communications Networks, Content and Technology
DG-RTD	Directorate-General for Research and Innovation
DIPP	Department of Industrial Policy and Promotion
DPIIT (erstwhile DIPP)	The Department for Promotion of Industry and Internal Trade
EBTC	European Business and Technology Centre
EC	European Commission
ESN	European Startup Network
EU	European Union
EUR	Euro
FDI	Foreign direct investment
FICCI	Federation of Indian Chambers of Commerce and Industry
FRRO	Foreign Regional Registration Office
GDP	Gross domestic product
GDPR	General Data Protection Regulation (EU)
GII	Global Innovation Index
GINSEP	German Indian Startup Exchange Program
GmbH	Gesellschaft mit beschränkter Haftung (limited liability company)
GOI	Government of India
GST	Goods and services tax
ICT	Information and communications technology
ID	Identity
IFCCI	Indo-French Chamber of Commerce and Industry
IHK	Industrie- und Handelskammer (Chamber of Commerce)
IoT	Internet of things

KSI	Keyless Signature Infrastructure
NASSCOM	National Association of Software and Services Companies
NGO	Non-governmental organization
NRI	Non-resident Indian
OPC	One-person company
PAN	Permanent account number
R&D	Research and development
SaaS	Software as a Service
SEU-IN	Startup Europe India Network
SEZ	Special economic zone
SME	Small and medium-sized enterprise
USISTEF	United States India Science & Technology Endowment Fund
UT	Union territory
WTO	World Trade Organization

1. Introduction

Global experience over the past decade has shown that entrepreneurs are drivers of innovation; they create wealth by adding new products or services to the market and contribute to employment generation. Specifically, start-ups are characterized by technology-driven businesses, with targets of fast growth; high reliance on innovation of product, processes and financing; and extensive use of innovative business models. Once established, the primary goals of start-ups include finding profitable, repeatable business models, recruiting and retaining the right talent, and scaling up and expanding across borders. These high-growth firms have the potential to create more jobs compared to traditional firms (European Commission, EC, 2016) and, therefore, a number of economies, including India, EU Member States, Canada, Chile, Israel, Singapore and the US, offer various fiscal and non-fiscal incentives to promote start-ups. Some of these incentives are specifically designed to attract foreign start-ups. Countries such as the US, Israel and Singapore have now become hubs for foreign start-ups. To attract foreign start-ups and to facilitate the cross-country movement of entrepreneurs and specialists, a number of countries including France, Estonia, Austria and Canada have eased, or are in the process of easing, their visa and work permit regime for foreign nationals.



The start-up ecosystem in India has evolved rapidly in the past decades. In 2015, India was ranked as the second-best-funded start-up hub in the world and witnessed a compound annual growth rate (CAGR) of 46.5 per cent in the number of start-ups, which is expected to cross the 10,000 mark by 2020 (Startup Genome, 2015). In 2019 alone, India witnessed the foundation of 1,300 additional start-ups, which continues to underpin the country's position as the third-largest start-up ecosystem in the world.[2]

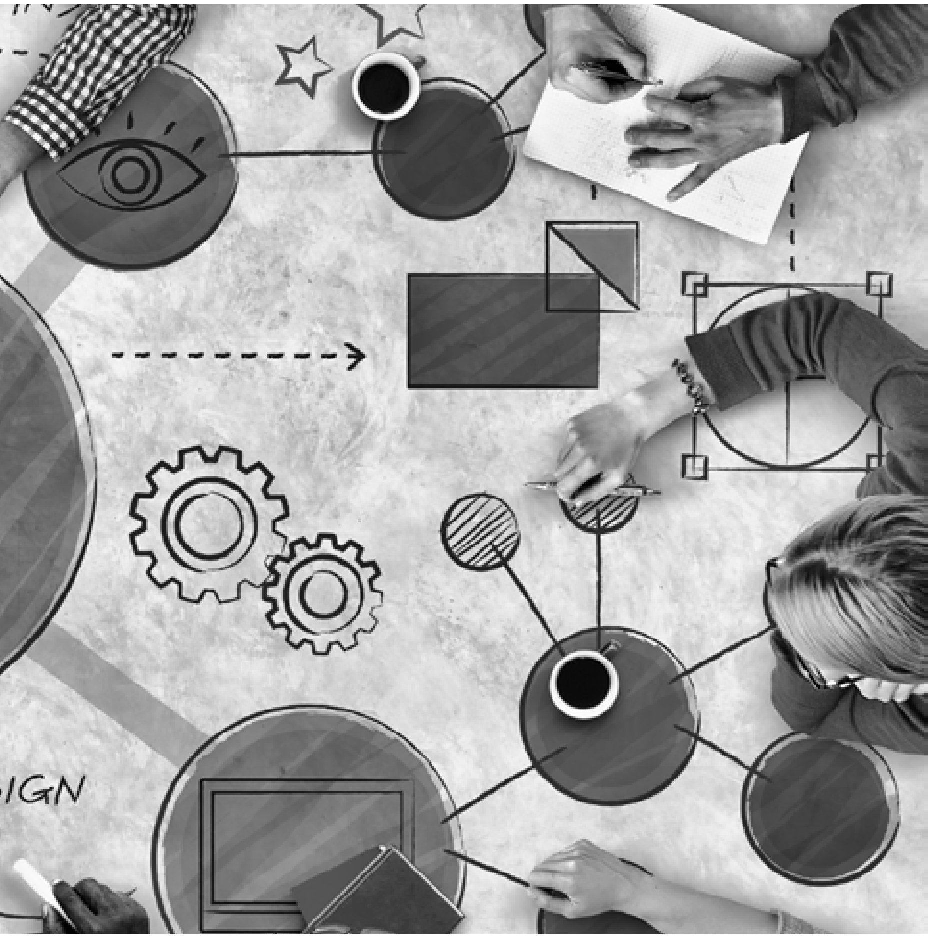
In 2016, the Government of India (GoI) came up with a flagship initiative called Startup India, with the purpose of building a strong ecosystem to nurture domestic start-ups that will drive sustainable economic growth and generate employment opportunities. Twenty-one states and union territories (UTs) introduced start-up policies following the government's initiative. The government also came up with the Make in India and Digital India initiatives, which have attracted foreign start-ups to invest in India. The government has entered into collaborations with a number of countries, and joint start-up hubs have been set up. However, India does not yet have any specific policies to attract foreign start-ups, unlike several EU Member States, Singapore, Japan and other countries.

The new national e-commerce policy draft, which was released in February 2019, aims to promote growth in the e-commerce sector by incorporating changes such as regulating cross-border data flows, channelizing shipments from other countries to India through the customs route, and removing application fees to claim export benefits amongst several other measures (GoI, 2019).

Focusing specifically on the EU, the EC created the Entrepreneurship 2020 Action Plan, dated 9 January 2013, which aims to bring Europe back to a faster growth path and create new jobs by unleashing Europe's entrepreneurial potential. One specific focus area

of the Action Plan is to facilitate entrepreneurship among migrants already present and residing in the EU based on best practices from EU countries (EC, 2013). The European Agenda for the Integration of Third-Country Nationals stresses the important role of migrants as entrepreneurs and states that "their creativity and innovation capacity should also be reinforced" (EC, 2011). In addition, several initiatives have been undertaken by EU Member States including business-friendly visa policies, national legislative frameworks, and admission criteria for third-country business owners, investors and entrepreneurs (European Migration Network, 2016) to attract foreign entrepreneurs, especially start-ups.

2. NASSCOM, *Indian Tech Start-up Ecosystem: Leading Tech in the 20s* (2019).



At a bilateral level, the EU and India are cooperating in the areas of labour mobility and technological innovation and strengthening the start-up ecosystem at both the government and the business levels. Recognizing the growing importance of migration and mobility in EU–India relations, the EU–India CAMM was endorsed at the EU–India Summit on 30 March 2016. Strengthening a businessperson's mobility is one of the focus areas of the CAMM. The 14th Annual Summit between India and the EU held on 6 October 2017 reaffirmed the joint commitment of the two economies towards enhanced cooperation on innovation and technology development, aimed at the EU–India start-up ecosystems and industries.[3] Flagship programmes by the EU and Indian governments in common priority sectors such as digital economy and commerce (EU Digital Single Market and Digital India) and entrepreneurship (Startup Europe and Startup India) have further strengthened the EU–India partnership. The EC-funded private initiative, the Startup Europe India Network (SEU-IN) has been set up to connect pan-European and Indian start-up ecosystems by bringing together key stakeholders such as start-ups, scale-ups (growth companies), investors, corporates, incubators, accelerators, innovation agencies, public initiatives and entrepreneurial universities. SEU-IN covers sectors such as financial technology, Software as a Service (SaaS) models, artificial intelligence and machine learning, cyber security and agro-technology. In 2018, the Directorate-General for Research and Innovation (DG RTD) launched a piloting initiative with the aim to foster innovation cooperation between India and Europe through the Europe–India Innovation Platform.[4] Other organizations such as the European Business and Technology Centre (EBTC) also facilitate the entry of European companies (including start-ups) in India in areas such as green energy, clean technology, smart cities, artificial intelligence and the internet of things (IoT).[5]

While both the EU and India have taken several initiatives to strengthen collaborations in developing the start-up environment, such initiatives have resulted in easing the entry of Indian start-ups in the EU Member States compared to the entry of the EU-based start-ups in India. Further, a number of foreign start-ups have been reported to have shown interest but have not yet ventured into the Indian market.

The objective of this paper is to examine

- how India can support the entry and scaling up of foreign start-ups, with a focus on EU-based start-ups (Chapters 4, 5 and 7) and
- how the EU and EU Member States can reduce mobility-related challenges for Indian start-ups and entrepreneurs in the EU (Chapters 6 and 7).

3 India–EU Joint Statement during 14th India–EU Summit, New Delhi (6 October 2017).
4 "Launching the European Innovation Zone in India (EIZI)".
5 More information is available on the EBTC website, www.ebtc.eu.

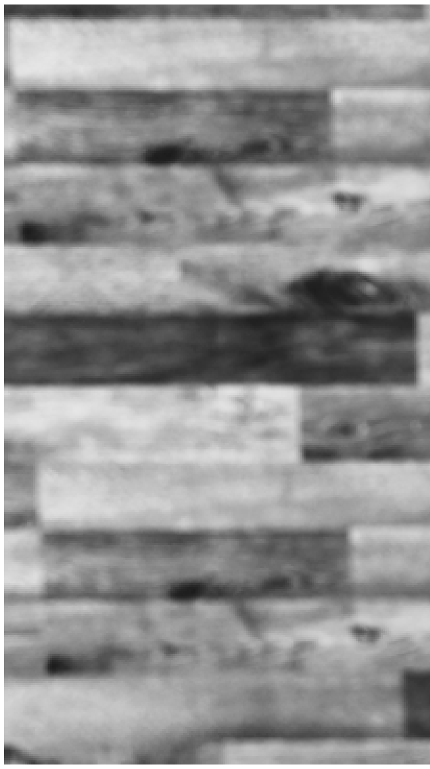
This paper elicits from the recognition of foreign start-ups in leading the inflow of technology, investment, best management practices and specialized skills. The paper also identifies the challenges faced by foreign start-ups in India and in the EU and makes policy recommendations for India and the EU on start-up-specific schemes, especially those related to foreign entrepreneur mobility for the establishment of start-ups, based on the successful initiatives of other countries, including some EU Member States.

The study is based on two primary surveys and secondary data and information analysis. The secondary information includes a literature review and analysis of start-up policies and initiatives. The first primary survey covers interviews with 25 EU and foreign start-ups. The survey also covers in-depth meetings with the EU delegation in India, embassies of different EU Member States and other foreign embassies (for example, the US), Indian policymakers, accelerators and incubators, consultancy organizations, joint business councils/ chambers of commerce, Invest India, industry associations, experts and organizations facilitating start-ups such as EBTC, QuantumLaMA Consultancy and Make Room Ecosystem, and networks such as SEU-IN. In total, 50 interviews (with companies and other stakeholders) were conducted. This first survey provides inputs and information for Chapters 4, 5 and 7.

The second primary survey comprises in-depth interviews with ten Indian start-ups as well as relevant incubators working with Indian entrepreneurs in different EU Member States. Mirroring the approach of the first survey, the stakeholder interviews aimed to capture information on mobility-related challenges faced by Indian entrepreneurs when establishing or expanding a start-up in the EU. The second survey informs the analysis of mobility-related barriers and shortcomings in EU Member States (Chapter 6) as well as a set of recommendations outlined in Chapter 7. There are a few limitations to this study. First, there is no globally recognized or accepted definition of start-ups, and the definition may vary across countries. Countries such as India that offer certain tax exemptions and other incentives to start-ups have customized the definition for the purpose of such incentives. Further, start-ups in most countries are a subset of small and medium-sized enterprises (SMEs), and the minimum turnover requirements for SMEs vary between the EU and India, which makes it difficult to have a comprehensive definition for EU start-ups in India. Most countries do not have a definition for foreign start-ups.

Second, there is no comprehensive database on foreign start-ups in India or the EU. The study samples were generated through interactions with the embassies of different countries, the EU Delegation Office in India, joint business councils, organizations such as EBTC, German Indian Startup Exchange Program (GINSEP), experts, accelerators, incubators and venture capitalists, and online research. It is also important to note that EU-funded initiatives such as the SEU-IN have organized events for start-ups, and a number of EU Member States and/or their business councils have also taken initiatives to conduct joint events with India for start-ups. However, most of these events have only been one-time events, and they have been more successful in attracting Indian start-ups to the EU Member States rather than EU start-ups to India. Subsequent to these events, there has been no database creation or follow-ups on the presence and experiences of EU start-ups in India.

Third, the start-up ecosystems in India and the EU are rapidly evolving and the trends keep changing. Therefore, findings and analysis from primary and secondary data collected in the start-up ecosystem of both sides holds relevance for a short span of time.



For the purpose of this study:

- EU start-ups in India are defined as start-ups that are headquartered or registered in EU Member States, owned by an EU national or an Indian national resident of the EU Member State. This part of the study covers EU start-ups which have entered the Indian market in the past ten years.
- Indian start-ups in the EU are defined as start-ups that are (i) headquartered or registered in India and have a subsidiary company in the EU; (ii) headquartered in the EU established and owned by an Indian national; or (iii) headquartered in the EU with shared ownership by at least one Indian national.

This study only covers companies, intended here as profit organizations. EU-based non-governmental organizations (NGOs), trusts, etc., are covered only to the extent that they facilitate the entry of EU start-ups in India and vice versa.

The layout of the paper is as follows. The next section – Chapter 2 – presents the definition of start-ups as given by the GoI, the general criteria for entrepreneurship by the EU and individual EU Member States. Chapter 3 examines the incentives and benefits given to start-ups in (a) India, (b) EU Member States and (c) selected countries which are start-up hubs, including specific benefits to foreign start-ups in the area of labour mobility (work visa, residency, etc.). Chapter 4 presents examples of collaborations between India and other countries (including EU Member States) in promoting start-ups. Chapter 5 presents the advantages that India offers to start-ups, and the primary survey findings of start-ups in India across different sectors, focusing on their experiences in India, their contribution to the economy in terms of job creation and social sector development, the challenges and barriers faced by them, and how they are helping Indian businesses and the government. Chapter 6 analyses mobility-related challenges and opportunities for Indian entrepreneurs aiming to establish or expand a start-up in the EU. Chapter 7 discusses the policy recommendations and the way forward, especially those related to foreign entrepreneur mobility for establishment of start-ups based on the findings and review of the EU, other foreign start-ups in India and Indian start-ups in the EU.

2. Definition of start-ups

This chapter presents the definition of start-ups as given by the GoI and a general criterion for entrepreneurship by the EU and individual EU Member States. In India, there is no specific definition of foreign start-ups. Similarly, there is no specific definition of foreign start-ups as given by the EU or EU Member States, although many Member States offer specific incentives to foreign start-ups as discussed in Section 3.2.

2.1 Start-up definition in India

Since domestic start-ups are eligible for certain tax exemptions and other incentives, the Department for Promotion of Industry and Internal Trade (DPIIT), earlier called the Department of Industrial Policy and Promotion (DIPP), under the Ministry of Commerce and Industry, in a notification dated 19 February 2019, has provided a definition of start-ups (given in box 1).

2.2 Start-up definitions in EU Member States

In the EU, start-ups are generally a part of microenterprises or SMEs, which have an innovative process and the scope of expanding their business venture. These enterprises qualify as SMEs if they fulfil the maximum ceilings for staff headcount and either a turnover ceiling or a balance sheet ceiling (see table 1). The category of microenterprises and SMEs is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding €50 million, and/or an annual balance sheet total not exceeding €43 million. At present, up to 23 million enterprises in the EU fall within the scope of this definition.[6]

Box 1. DPIIT's definition of start-ups

An entity shall be considered a start-up as per the 19 February 2019 notification by DPIIT

- up to a period of ten years from the date of incorporation/registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under Section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India,
- as long as the turnover of the entity for any of the financial years since incorporation/registration has not exceeded one hundred crore rupees, and
- the entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

An entity formed by the splitting up or reconstruction of an existing business shall not be considered a start-up.

An entity shall cease to be a start-up on completion of ten years from the date of its incorporation/registration or if its turnover for any previous year exceeds one hundred crore rupees.

Source: Ministry of Commerce and Industry, GoI, 2019

Table 1. Criteria for SME definition

Company category	Staff headcount	Turnover (in € million)	or	Balance sheet total (in € million)
Medium-sized	< 250	≤ 50		≤ 43
Small	< 50	≤ 10		≤ 10
Micro	< 10	≤ 2		≤ 2

Source: EC, 2015

6 "What Is an SME?"

The EC's communication to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions dated 22 November 2016, "Europe's next leaders: The start-up and scale-up initiative", offers a general description for start-ups:

"Start-ups, often tech-enabled, in general combine fast growth, high reliance on innovation of product, processes and financing, utmost attention to new technological developments and extensive use of innovative business models, and, often, collaborative platforms." (EC, 2016, p. 2)

The European Startup Network (ESN) (2019) defines a start-up as an independent organization, which is younger than five years and is aimed at creating, improving and expanding a scalable, innovative and technology-enabled product with high and rapid growth. This definition is based on the following aspects:

1. age, independence and scalability;
2. organization and innovation; and
3. technology-based and high growth potential.

Among EU Member States, Italy has a comprehensive definition of start-ups. Other Member States such as Estonia, Hungary and Latvia also have defined start-ups (see box 2).

Box 2. Definition of a start-up by select EU Member States

a. **Italy:** The Decree-Law 179/2012, which is also known as "Italy's Startup Act", has defined a start-up in Italy thus:

"Companies with shared capital (i.e. limited companies), including cooperatives, the shares or significant registered capital shares of which are not listed on a regulated market nor on a multilateral negotiation system. These companies must also meet the following requirements:

1. be new or have been operational for less than 5 years;
2. have their headquarters in Italy or in another EU/European Economic Area (EEA) country, but with at least a production site branch in Italy;
3. have a yearly turnover lower than EUR 5 million;
4. do not distribute profits, nor it did so in the past;
5. produce, develop and commercialize innovative goods or services of high technological value;
6. are not the result of a merger, split-up or selling-off of a company or branch;
7. be of innovative character, which can be identified by at least one of the following criteria:
   - at least 15 per cent of the company's expenses can be attributed to R&D activities;
   - at least ⅓ of the total workforce are PhD students, the holders of a PhD or researchers; alternatively, ⅔ of the total workforce must hold a Master's degree;
   - the enterprise is the holder, depositary or licensee of a registered patent (industrial property) or the owner of a program for original registered computers."

b. **Estonia:** In Estonia, start-up business is defined according to the Aliens Act of Estonia, as

"a startup is a business unit owned by a company registered in Estonia that is commencing operations and whose goal is to develop and launch an innovative and repeatable business model with great global growth potential and which contributes significantly to the development of the business environment in Estonia".

c. **Hungary:** In Hungary, the Digital Start-up Strategy, which formulates its government's vision of developing Hungarian digital enterprises by supporting the start-up ecosystem, defines start-ups thus:

"Digital startups are typically micro or small enterprises with a high growth potential, relevant even on the global market. Based on innovative products, organizations, business models or services within the digital economy, they are in need of external financing." (Digital Success Programme, Government of Hungary, 2016, p. 6)

d. **Latvia:** Latvia's Ministry of Economics adopted the "Law on Aid for Start-up Companies" in January 2017. Article 1 of the Law defined start-ups thus:

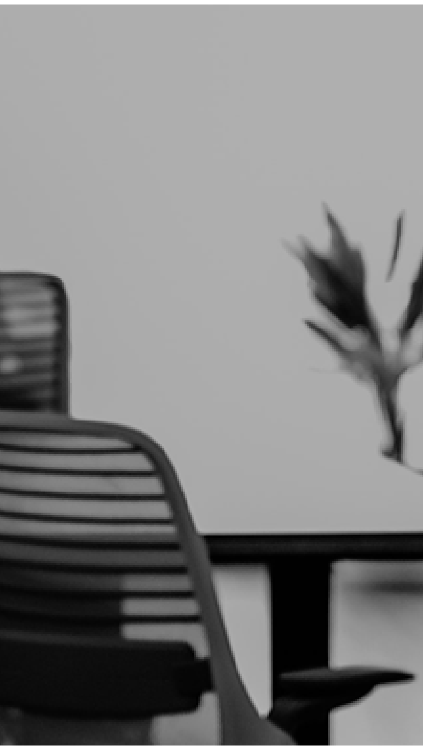
"According to Law start-up company is a capital company possessing a high growth potential and its main economic activity is related to design, production of development of scalable business models and innovative products."

The criteria that a company needs to meet to be entitled to receive government support:

- the start-up company carries out its commercial activity for the first five years since its registration in the commercial register (older companies are not covered);
- the income from which the start-up company derives its economic activity during the first five years of its registration must be below €5 million; and
- the size of the start-up's investment/s must at least amount to €30,000 in each year the aid is granted and must be obtained from qualified venture capital investor/s.

Source: Italian Ministry of Economic Development, 2019; Government Office of Estonia, 2019; Commissioner of the Hungarian Prime Minister, 2016; Ministry of Economics, Latvia, 2017

Some EU Member States such as Spain and France have a definition for entrepreneurial activity, innovative enterprises and so on, but the companies are not explicitly referred to as start-ups.



3. Initiatives and benefits given to foreign start-ups

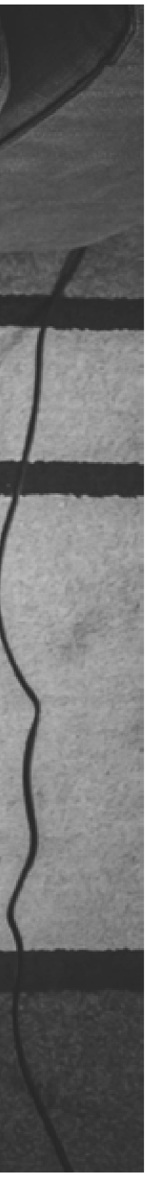
This section examines the benefits given to foreign start-ups in India, in the EU Member States and in some other countries.

3.1 Initiatives and benefits given to foreign start-ups in India

The focus of the Indian government is on promoting domestic start-ups and developing a robust start-up ecosystem. This indirectly benefits foreign start-ups and encourages them to explore this growing market; however, no special benefits are given to foreign start-ups in India. There have been collaborations and memorandums of understanding (MoUs) with several countries, including EU Member States to promote cross-country start-ups. Examples include the Indo-Dutch StartUpLink, the India Finland Tech hub, the India Portugal Hub and the Sweden India Startup Sambandh Hub.

In order to meet the objectives of the Startup India initiative, the GoI announced an Action Plan on 16 January 2016 that addresses all aspects of the start-up ecosystem and provides various schemes and initiatives, some of which are discussed in box 3. The Action Plan is based on the following three pillars:

- Simplification and Handholding
- Funding Support and Incentives
- Industry–Academia Partnership and Incubation



Box 3. Select fiscal and non-fiscal incentives offered to start-ups in India

1. **Compliance regime based on self-certification:** The objective of this scheme is to reduce the regulatory burden and compliance costs on start-ups by allowing them to do self-certification with select labour and environment laws. In case of the labour laws, no inspections will be conducted for a period of three years. In case of environment laws, some start-ups would be able to self-certify their compliance and only random checks would be carried out in such cases.

2. **Startup India Hub:**[7] This is an online platform which was established as a single point of contact for stakeholders of the entrepreneurial ecosystem in India to enable knowledge exchange and access to funding. The Startup India Hub campaign comes under Invest India, and has the following objectives:

    - Consolidation: Bring all stakeholders to a common platform and provide them with valuable propositions.
    - Growth: Connect with the global ecosystem and stimulate others to do so too.
    - Facilitation: Access information and knowledge, and provide handholding support.

3. **Legal support and fast-tracking patent examination at lower costs:** The scheme for Start-up Intellectual Property Protection facilitates filing of patents, trademarks and designs by innovative start-ups. In addition, applications are fast-tracked, and assistance is provided to fill up applications.

4. **Relaxed norms of public procurement for start-ups:** At present, the central government, state governments and public sector undertakings have to mandatorily procure at least 20 per cent from micro, small and medium-sized enterprises. In order to promote start-ups, the government shall exempt start-ups (in the manufacturing sector) from the criteria of "prior experience/ turnover" without any relaxation in quality standards or technical parameters.

7 Startup India Hub (2018).

5. **Providing funding support through a fund of funds:** One of the key challenges faced by start-ups in India has been access to finance.

   In order to provide funding support to start-ups, the government will set up a fund with an initial corpus of 25 billion rupees (€310 million) and a total corpus of 100 billion rupees (€1.24 billion) over a period of four years, which amounts to 25 billion rupees (€310 million) per year. The fund will be in the nature of "Fund of Funds", which means that it will not invest directly into start-ups but shall participate in the capital of Securities and Exchange Board of India-registered venture funds.

6. **Three-year tax holiday for start-ups:** Start-ups incorporated on or after 1 April 2016 but before 1 April 2019 would enjoy tax breaks for three consecutive assessment years out of the seven years at the option of the start-up. The Union budget of 2018 states that the same benefits will now be extended to start-ups incorporated from 1 April 2019 to 1 April 2021.

7. **Ease of Application:** The GoI has launched a mobile app and a website for easy registration for start-ups. Individuals interested in setting up a start-up can fill out a form on the website and upload the required documents through a completely web-based process.

8. **Easy exit:** In case entrepreneurs want to close the business, the founder(s) can terminate the business within 90 days from the date of application.

Source: Ministry of Commerce and Industry, GoI, 2020

Among the various initiatives stated in the Action Plan, foreign start-ups can benefit from such initiatives as the Startup India Hub. The services provided by the hub, including access to some market research reports, are free of cost. The hub answers queries from entrepreneurs, which it receives via telephone, website and social media. As of February 2018, 21,800 individuals and 4,760 start-ups have registered on the hub[8]. A DPIIT notification dated 11 April 2018 also lays down the process for application of tax benefits. To obtain tax benefits, a start-up should acquire a certificate of an eligible business from an inter-ministerial board of certification constituted by the DPIIT, and it should meet certain requirements.[9]

As of February 26, 2020, a total of 29,017 start-ups across the country have been recognized by the DPIIT.[10]

The Startup India initiative of the DPIIT has also initiated the Incubators Edge Program to be held in 2020, offering 30 incubators an immersive incubation experience to support and enable them to create viable and successful ventures.[11]

In addition to the central government policy, 26 states[12] in India (as of 4 March 2020) have their own state start-up policies.[13] The state government policies offer some common benefits such as establishment of state incubation centres, infrastructure funding, seed fund, self-certification under various acts and laws (such as labour laws), and assistance in market access. To foster competitiveness among states and UTs, and help them learn and replicate best practices regarding state-level start-up ecosystems, the DPIIT created the State/UT Startup Ranking Framework 2018, The key indicators used for this ranking are start-up policy and implementation, incubation support, seed funding support, funding support (angel and venture funding), simplified regulations, easing public procurement, and awareness and outreach. According to the results of the ranking, Gujarat was the best performer, with the states of Karnataka, Kerala, Odisha and Rajasthan emerging as top performers.[14] A similar follow-up ranking exercise was conducted in 2019, the results of which are not yet made public. This data is expected to help foreign start-ups identify ideal locations to establish their operations in India.

According to the DPIIT, foreigners can set up their businesses in India as investors by:

- incorporating an Indian company under the Companies Act, 2013, through joint ventures or wholly owned subsidiaries;
- forging a joint venture with an Indian partner;
- setting up a wholly owned subsidiary in sectors where 100 per cent foreign direct investment (FDI) is permitted under the FDI policy; or
- setting up their company's operations under a liaison office, project office or a branch office.[15]

From 1 April 2019, the GoI has reduced corporate taxes from 30 per cent to 22 per cent for companies that do not seek tax exemptions or incentives from the government under other schemes. Firms that receive incentives or tax exemptions have their tax rate reduced from 35 per cent to 25 per cent. It is expected that this reform increases the profitability of start-ups in India and further boosts the attractiveness of India as a start-up location.[16]

8 Data received from Invest India.
9 These requirements may change from time to time. Notification G.S.R. 364(E), The Gazette of India, 2018. More information is available on the Startup India website, www.startupindia.gov.in/.
10 "29,017 Startups Recognised till February 26: Piyush Goyal", *The Economic Times* (4 March 2020).
11 "Accelerator Program" (2020).
12 These states are Andaman and Nicobar Islands, Andhra Pradesh, Assam, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Odisha, Punjab, Rajasthan, Sikkim, Tamil Nadu, Telangana, Uttarakhand, Uttar Pradesh and West Bengal.
13 Starred Question No. 75, Lok Sabha (2018). More information is available on the Startup India website, www.startupindia.gov.in/.
14 "State Startup Ranking".
15 "Entry Strategies for Foreign Investors" (2018).
16 "Understanding the Corporate Tax Structure for Domestic Startup Companies", *Startup India blog* (2019).

Foreign entrepreneurs who wish to come to India may do so by applying for an employment visa, business visa, research visa or a project visa (specifically for executing projects in the power and steel sectors), the details of which are given in figure 1. There is no fast-track clearance for foreign start-ups or a special start-up visa in India.

Figure 1. Types of Indian visas

Employment Visa

- For highly skilled individuals intending to take up employment in India. They require an employment contract from the host country and their salary should exceed $25,000 per year.
- The maximum duration of this visa is five years or the duration of the contract and can be extended in India.

Business Visa

- For foreign individuals visiting India for a business purpose. They should be persons of assured financial standing (as well as show expertise in the field of intended business venture).
- The maximum duration of this visa is five years and it can be extended.

Research Visa

- For foreign scholars pursuing research in any field in India. They have to give details of the project undertaken and show original letter of admission from an Indian institution.
- The maximum duration of this visa is five years and it can be extended.

Project Visa

- For foreign nationals executing projects specifically in the power and steel sectors. This visa is issued only to highly skilled persons.
- The maximum duration of this visa is one year or for actual duration of the project/contract.

Source: Ministry of Commerce and Industry, GoI, 2020
Available at www.startupindia.gov.in.

The visa application process is online. However, the application may be submitted either online or by courier. In some cases, the applicant may be required to come to the Indian consulate in that country for an interview and provide additional information. The processing time for all Indian visas, apart from the tourist visa, is three to four weeks.[17]

India offers an e-visa facility (visa on arrival) to "casual business visitors" from 43 countries including EU Member States like Germany and other countries including Australia, Brazil and the US. A casual business visitor is usually defined as "a visitor for one-time meeting or a tour to decide whether to work in India".[18]

An application for e-visa has to be made at least 4 calendar days in advance of the date of arrival and can be made as early as 120 days in advance. The visa is valid for 60 calendar days from the date of arrival and can be obtained twice in a calendar year. Double entry is permitted on an e-business visa and the duration of stay is 60 days (as of 1 April 2017). The e-visa fees are divided into four slabs of zero, $25, $50 and $75, depending on nationality (based on reciprocity), plus a bank fee of 2.5 per cent of the visa fee. The charges are $75 for some EU Member States, while it is free for the others.

17 "Process for Visa Application", Startup India Hub (2018).
18 "Indian e-Visa" (2018).

3.2 Initiatives and benefits given to foreign start-ups in EU Member States

The EU creates an enabling environment for the Member States to offer fiscal or non-fiscal incentives to foreign start-ups. For example, the Entrepreneurship Action Plan 2020 provides a common policy framework to strengthen the ecosystem for start-ups and to attract entrepreneurs from third countries. "Europe's next leaders: The start-up and scale-up initiative" (EC, 2016) listed a number of barriers which can constrain the ability of a firm to scale up and it referred to certain measures to assist start-ups; some of these measures have already been implemented, while others are in the pipeline. For example, in 2017, the EC proposed the establishment of a single digital gateway to provide easy online access to information, e-procedures, assistance and problem-solving services for businesses.

The proposed changes under the ongoing revisions of the EU Blue Card Directive also focus on enhancing intra-EU mobility for short-term business trips and offer improved rights for Blue Card holders to self-employment, for instance. Under the existing policy, not applicable to self-employed workers or entrepreneurs, the EU Blue Card gives highly qualified workers from outside the EU the right to live and work in an EU Member State (except Ireland and Denmark), provided they have higher professional qualifications, such as a university degree, and an employment contract or a binding job offer with a high salary compared to the average wage in the EU Member State where the job is.[19] However, the negotiations between the European Parliament and the Council are currently blocked due to issues related to the recognition of qualifications at the EU level, the minimum wage threshold, long-term mobility and eligibility for long-term resident status.

Member State-specific frameworks and policies are designed to encourage entrepreneurship and creation of start-ups. Some Member States have policies specifically to attract foreign start-ups in their countries (see table 2).[20]

Table 2. Select Member States and their policies for supporting foreign start-ups

Member State	Start-up policies
Austria	• Startup Package with a volume of €185 million was introduced in April 2017 to promote Austria as a prime start-up hotspot. • Austrian as well as foreign start-ups can get a partial refund on wage costs for the first three employees for the first three years after the company is formed. • A residence and work permit for self-employed work (the Red-White-Red Card), and this will also be applicable to start-up founders.
Denmark	• Under Start-up Denmark, a visa scheme of the Danish government, accepted entrepreneurs receive a residence and work permit for Denmark valid for two years with the possibility of extension.

19 EC, Revision of the EU Blue Card Directive (2016).
20 "The Revision on the EU Blue Card Directive – Negotiations Blocked".

Member State	Start-up policies
Estonia	• If a foreign business is qualified to be a start-up, the entrepreneur will qualify for the Start-up Visa programme. • A visa is issued within 30 days, after which a residence permit may be issued within two months with a validity of five years. • Estonia also has an e-Residency programme, which is a government-issued digital identity (ID) that allows non-Estonian entrepreneurs to set up and run an Estonian-registered business. • With the e-Residency, the foreign company is registered as an Estonian company, which has various benefits such as zero corporate tax for an Estonian company (however, 20 per cent tax has to be paid if money is taken out as declared profits), low interest rates and ease of receiving business loans, and taking advantage of the EU's single market and legal framework, and access to EU-based business banking and international payment providers. • Although e-residents receive government-issued digital IDs similar to those of citizens, the e-Residency does not confer citizenship, tax residency, residence, or right of entry to Estonia or to the EU. If a person is a foreigner residing in Estonia on a residence permit or with the right of residence, he/she is not eligible for e-Residency.
France	• French Tech Ticket is a one-year programme to attract ambitious entrepreneurs from all around the world and help them set up and develop their start-ups in France. • It offers end-to-end support, from early-stage start-up to successfully established business. • Selected entrepreneurs and projects work closely in one of the top 41 French partner incubators, providing among others mentoring, fundraising strategy, workspace, expert advice and pitch practice. • Benefits include €45,000 per project with no loss of equity, a dedicated resident permit fast-track procedure (12 months incubation) for the winning teams and their family, and a helpdesk to provide assistance with administrative procedures. • French Tech Visa: For obtaining a residence permit known as the Passeport Talent (talent passport). It is open to start-up founders, employees working in the start-ups and start-up investors. It is valid for four years on a renewable basis and extends to family members too. • The private sector launched a start-up campus in Paris in 2017, known as Station F, to foster entrepreneurship and build a technology culture especially among foreign start-ups.

Member State	Start-up policies
Ireland	• The Start-up Entrepreneur Programme (STEP) gives foreign entrepreneurs a two-year right of residence with the possibility of extension for another three years if the company is still operational and its founder is financially stable and not a burden on the social benefits system. Non-EEA nationals with an innovative business idea for a high potential start-up and funding of €50,000 can acquire residency in Ireland for the purposes of developing their business. • For the first two years, the foreign start-up does not need to create new jobs, and after a successful extension of the visa validity, the company is not obliged to fulfil the criterion of profitability. • After five years of residence in Ireland, entrepreneurs can apply for a permanent residence permit.
Italy	• The Italia Startup Visa is a simplified, fast-track procedure to issue a startup visa, the processing of which does not take more than 30 days. • The Italia Startup Hub programme aims to attract potential entrepreneurs who are already in Italy for other reasons and are looking to develop their own business projects.
Lithuania	• The Startup Visa Lithuania programme provides a streamlined migration process to the Lithuanian start-up ecosystem for innovative non-EU entrepreneurs who can get a temporary residence permit. • The entrepreneurs do not need to fulfil any capital or employment requirements to obtain a residence permit. • A temporary residence permit will allow them to live in Lithuania for one year with their families, with the possibility of extending their stay for an additional year. After the two years, in order to remain in Lithuania, they will be required to fulfil regular immigration requirements. • The programme also provides support on initial legal and administrative queries, and helps develop the entrepreneurs' professional networks through consultations, events and seminars.
Netherlands	• A foreign national can qualify for a residence permit to establish a start-up in the Netherlands based on certain conditions, such as start-ups being supervised by a reliable supervisor/business mentor (facilitator) in the Netherlands, and the foreign national has to demonstrate that his/her product or service is innovative.

Member State	Start-up policies
Spain	• The Residence for Entrepreneurs and Business Investors programme is a special immigration programme for entrepreneurs, highly skilled employees of international companies and investors from outside Europe who, because of their high qualifications and distinguishing knowledge, are invited to start and grow a business in Spain. • Non-EU citizens can apply for a one-year residency permit in Spain (renewable for a two-year period), and this would be extended to family members too, provided that the business is innovative with special economic interest for Spain, and will help in creation of jobs in Spain. • The processing for resident authorization is completed within 20 days.

Source: G20 Young Entrepreneurs' Alliance (G20 YEA), 2018; Republic of Austria, 2017; Startup Estonia, 2019; Startup Visa Lithuania, 2018

Some common benefits of these initiatives are:

- fast-track visa schemes and streamlined processes that grant residency to entrepreneurs as well as their families for a period ranging from one to four years (depending on the Member State), and
- the possibility of renewing residency if the start-up or entrepreneur continues to fulfil the criteria stipulated while initially applying for residency or is able to fulfil new criteria for immigration (as required by specific Member States).

The authors' discussions with foreign embassies and Indian start-ups in the EU highlight that Indian entrepreneurs have been one of the largest groups of applicants for these benefits and visa facilities. For example, for the year 2018, the Startup Visa programme in Estonia has attracted over 1,000 applications from India, which is one of the top ten applicant countries for this. programme.[21] In just one year, there were more than 200 Indian start-ups set up in Estonia using the e-Residency.[22]

In March 2020, the Skilled Immigration Act came into force in Germany. The Act aims to simplify and speed up the employment of skilled workers from outside the EU.[23] It provides for an accelerated immigration procedure for skilled workers, and the legal basis for granting residence permits to skilled foreigners to enable them to look for skilled employment for a period between 6 and 18 months.[24]

For many Indian start-ups in Germany, which have faced challenges in recruiting skilled candidates from India (or other overseas destinations), the Act might greatly facilitate the acquisition of talents with the requisite skills profiles. Also, the Act could improve options for young third-country entrepreneurs to be formally employed to generate additional income and financing for the foundation of a start-up.

Ireland has initiated the STEP, which intends to support non-EEA nationals who have an innovative business proposal and want to apply for a minimum funding of €50,000 to set up a business in Ireland. The business must be capable of creating ten jobs in Ireland and generating €1 million in sales within three to four years of starting up. Immigration permission is also granted to start-ups who want to attend boot camps or incubation programmes in Ireland to prepare their STEP application.[25]

In 2018, Business France and Invest India, two government agencies in France and India respectively, signed MoUs to promote investment facilitation and cooperation between

21 "e-Residency" (2018).
22 "In a Year, Indians Launch 200 Startups in Estonia".
23 Skilled workers are defined as those with a recognized university degree or vocational training qualification.
24 "Skilled Immigration Act from 1st March 2020: Changes for Employers", *Kliemt.blog*.
25 "Coming to Set Up a Business or Invest in Ireland".

start-ups from these two countries. Business France – the Trade and Investment Commission of France in India – has been organizing the French Tech Tour to India for French start-ups and SMEs to visit India and explore market opportunities. In 2017, 82 of the 782 applicants for the French Tech Ticket programme were from India, and of these 82 companies, 11 Indian companies won the French Tech Ticket package.[26]

Through the Italian Startup Act, Italy has taken steps in 2018 to improve the national start-up climate both for EU and non-EU innovators. This includes making the incorporation of companies simpler and faster, taking only five days (including obtaining a value added tax number and opening a bank account). Other advantages that Italy provides include a corporate tax reduction from 27 per cent to 24 per cent as well as the removal of minimum capital requirements or restrictions on nationality in order to become a shareholder or director. A fast-track visa programme and the Italia Startup Visa, which can be obtained within 30 days, are among the flagship incentives that have been drawing entrepreneurs seeking to enter the EU market.[27]

Overall, the analysis of the start-up schemes of different Member States show there are some commonalities. For example, there are certain conditions that foreign start-ups have to meet. While a few start-up schemes do not require entrepreneurs to set up businesses that necessarily create jobs or declare profits in the initial years (such as in Ireland), most schemes in EU Member States require entrepreneurs to set up businesses that would help in creating new jobs for the nationals (for example, Spain) and would require them to declare a certain annual turnover (for example, Austria). Studies show that this might be difficult for an entrepreneur who has set up business in a new country to achieve, especially when they are adjusting to a new culture and business environment.[28] Moreover, while the start-up visa programmes for most Member States are designed so that work permit and residency are granted faster and for longer periods (as compared to a generic business/Schengen Visa which has a shorter and temporary duration of stay), in case of some Member States (such as Denmark), the processing of the work permit/residency can take six weeks (or maybe more for special cases).

26 Data received during consultations with the Embassy of France in New Delhi.
27 "Italy, a Smart Choice for Innovative Startups".
28 Zahra and Neubaum (1998); Houtum and Naerssen (2002).

3.3 In other countries

Globally, there are a number of countries which have specific programmes to attract foreign start-ups, while there are countries such as the US and Israel which have a large number of foreign start-ups and yet no specific policy at the Federal Government level to attract them. Among the countries that have special provisions for foreign start-ups, Canada has the Start-up Visa Program, which targets immigrant entrepreneurs with the skills and potential to build a business in Canada that is innovative, creates jobs for Canadians and can compete on a global scale.[29] Immigrant entrepreneurs are granted permanent residency if they secure a minimum investment of $200,000 from designated venture capital funds, or $75,000 if the funding is from angel investment groups, for their start-up company in Canada. In the Quebec province of Canada, the Quebec Entrepreneur Program allows qualified business owners and managers to obtain permanent residency in Canada, provided they have net assets of at least 300,000 Canadian dollars (approximately €198,532) and at least two years' experience in running a business. The entrepreneurs should effectively create or acquire an agricultural, commercial or industrial business in the province of Quebec, with capital equity control of 25 per cent.[30]

In Japan, the ease of entry for foreign entrepreneurs is city-wise. For example, in 2017, Japan's Fukuoka city was approved to implement the Startup Visa (Entrepreneurial Incentives for Foreigners) initiative to incentivize foreigners to be business entrepreneurs in Fukuoka.[31]

Taiwan offers entrepreneur visa initiatives to help foreign entrepreneurs start business locally and engage in Taiwan's start-up ecosystem. Under this, the entrepreneurs receive residency for one year (with unlimited entries), which can be extended for up to two years. They are not required to set up a business beforehand. Applicants within Taiwan (non-citizens) as well as outside Taiwan can apply for the residency. On average, it takes two to three weeks

29 "Immigrate with a Start-up Visa: Who Can Apply" (2018).
30 "Entrepreneur Program" (2018).
31 "Japan's First 'Startup Visa (Entrepreneurial Incentives for Foreigners)'" (2017).

for the application to be processed, if applying for the visa in Taiwan, and it takes longer if applicants submit the application outside of Taiwan (due to the time taken for correspondence).[32]

In recent years, China has taken several measures to attract foreign start-ups. For example, foreign graduates of universities on the Chinese mainland can apply for a two-to-five-year private affairs residence permit ("entrepreneur visa") by presenting a graduation certificate and a business plan, or proof of their start-up.[33] China has offered foreign companies a break on provisional income tax on profits; foreign firms will be exempt from withholding taxes on profits they reinvest in industries specified by Beijing, and this is also retroactive to 1 January 2017, which means that such companies would have received a refund on taxes paid in 2017.[34] Different provinces also offer certain incentives to attract foreign start-ups. Under the Shenzhen Municipal Government's Peacock Initiative, a programme started in 2011 to attract high-level foreign talent in the field of entrepreneurship and innovation in Shenzhen, subsidies are made available for foreign start-ups in areas such as IT, robotics and aerospace engineering. Under this initiative, a maximum of $15 million per award is available for start-ups with an average award of $3 million.[35]

In Chile, the government launched Start-up Chile in 2010 as a public accelerator to attract high-potential entrepreneurs (both Chilean and foreign) to Chile. The country also provides a one-year working visa for professionals, which can be obtained in 15 working days, and assistance in settling in Chile.

In Singapore, the government has developed the Startup SG hub, which provides entrepreneurs with a launch pad and a platform to connect them to the global stage, and access to local support initiatives. In addition, Singapore also has the Singapore Entrepreneur Pass (aka EntrePass), which is a business visa designed for foreign entrepreneurs who want to set up their businesses in Singapore. To be eligible, the applicants must register a private limited company, hold at least 30 per cent of the shares in the company, have at least 50,000 Singapore dollars (approximately €31,706) paid-up-capital and must not be registered for more than six months at the point of application. The visa is initially granted for up to two years.[36]

32 "Why Taiwan?", Government of Taiwan, 2018.
33 Z. Wenting, "Foreign Graduates in Country Gravitate to Start-ups", *The Telegraph* (London, 24 May 2017).
34 "China Temporarily Exempts Foreign Firms from Taxes for Reinvested Profits", *Reuters* (Beijing, 28 December 2018).
35 J. Liddle, "Incentives in Shenzhen for Attracting Foreign Talent", *China Briefing* (1 August 2017).
36 "Singapore EntrePass Service" (2017).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4. India’s cooperation and collaborations in start-ups

India has entered into collaborations with a number of countries to promote cross-country start-ups and strengthen their start-up ecosystem. These collaborations are at different levels. For example, MoUs have been signed by Invest India and a business/commerce forum of the partner country for creation of start-ups hubs. In October 2017, Invest India signed a MoU with Founders Alliance, a network for Sweden's leading entrepreneurs, which led to the formation of the Sweden India Startup Sambandh, which provides information on the Indian market to Swedish entrepreneurs.[37] Similarly, in June 2017, the India Portugal Startup Hub was launched, which is expected to strengthen the start-up ecosystems of the two countries.[38] In August 2018, the bilateral hub launched its first call to fintech-, urbantech-, medtech- or nanotech-based start-ups in India that are interested in product expansion to Portugal.[39]

Germany launched the GINSEP in 2017, initiated by the German Startups Association and supported by the German Federal Ministry for Economic Affairs and Energy (BMWi), to strengthen and foster the German-Indian economic relations in the field of start-ups by assisting Indian entrepreneurs (in terms of administrative activities and capacity building) to set up their business in Germany.[40] The GINSEP Ambassadors Network now encompasses roughly 75 specialists – from founders to CEOs of prestigious Indian and German companies – who come together for various networking events and fairs organized by GINSEP all year round and find better pathways to enter the German and Indian markets.[41]

37 "MoU Signed between Invest India & Founders Alliance" (2017).
38 "Prime Minister Modi and Prime Minister Costa Launch Unique Start-up Portal" (2017).
39 "First Call for Indian Startups Coming to Portugal".
40 "The German Indian Startup Exchange Program" (2018).
41 "Meeting Place: Hall 13 – A Look at How German and Indian Startups Are Linking Up and the Role that Hannover Messe Plays in This".

The Indo-French Chamber of Commerce and Industry (IFCCI) also launched a Technology Committee, the objective of which is to create a platform for start-ups from the two countries to interact.[42]

There have also been initiatives between EU Member States and Indian states. For example, in November 2017, a MoU was signed between the Karnataka state government and France's Business France to develop and intensify mutually beneficial cooperation for promoting start-ups and the ecosystems in both countries.[43]

In addition, a number of events and conclaves have been organized in India either jointly or funded by other countries/regions where foreign start-ups have participated. These include the Startup EU India Summit[44] organized by SEU-IN in Bengaluru in October 2016; the EU India Innovation Partnership events which took place in 2018 and 2019; the India Singapore/ASEAN Entrepreneurship Bridge 2018[45] conclave organized by the High Commission of India in Singapore in January 2018; the India–Israel Innovation Bridge which was launched in July 2017;[46] and the Global Entrepreneurship Summit (GES)[47] organized jointly by the US and India in Hyderabad in November 2017. The High Commission of India in London created a flagship programme called the Access India Programme (AIP), which is a market-entry support programme to enable UK SMEs to establish their operations in India.[48] Recently, Nuggets, a blockchain start-up,[49] has been chosen under this programme for support towards market entry.

MoUs have also been signed between the Indian government, Indian institutes and foreign countries, in the areas of innovation and R&D. These MoUs can be government-to-government, government-to-business or business-council-to-business-council (see table 3 for some examples). Some of these MoUs have helped innovators from the two countries commercialize their innovation through start-ups. For example, under the United States India Science & Technology Endowment Fund (USISTEF), jointly established by the governments of the US and India and administered through the binational Indo-US Science and Technology Forum, Pinnacle Industries Limited in India and GRIT in the US have together designed a low-cost, all-terrain wheelchair which is now manufactured in India. Under the same programme, the US-based company Promethean Power Systems designed a rapid milk chiller to preserve perishable food and milk. This chiller is manufactured in India and is used by major brands in India such as Amul, Mother Dairy and Hatsun.[50]

42 Start-up Committee, IFCCI (2018).
43 S. Anupam, "Karnataka Govt. Partners with Business France India to Promote Startups", *Inc42* (New Delhi, 18 November 2017).
44 "Startup EU-India Summit" (2016).
45 "India Singapore / ASEAN Entrepreneurship Bridge 2018", Inspreneur (2017).
46 India-Israel Global Innovation Challenge, Startup India Hub (2017).
47 About GES, Global Entrepreneurship Summit (2017).
48 "Access India Programme" (2016).
49 "Take back control of your data" (2018).
50 USISTEF, "About the Fund" (2018).

Table 3. Examples of MoUs in R&D

Entities of partnership	Name of signatories	MoU description	Sector/area
Business council and research organizations (2011)	Confederation of Indian Industry; Central Manufacturing Technology Institute, an R&D organization in Bengaluru; and Fraunhofer Society, a German organization for research in applied science	Developing and transferring advanced green, clean and energy-efficient technology to India's manufacturing sector	Manufacturing
Government and government (2015)	Ministry of Skill Development and Entrepreneurship, GoI; Federal Ministry of Education and Research and Federal Ministry for Economic Cooperation and Development, Government of Germany	Research in the fields of skill development, and vocational education and training	Skill development
Academic organization and company (2015)	Indian Institute of Science, Bengaluru; and German automotive firm Robert Bosch GmbH	To strengthen Bosch's R&D in areas including mobility and healthcare to drive innovation for India-specific requirements	Healthcare and allied sectors
Government and government (2017)	Ministry of Earth Sciences, GoI; and the Ambassador of Portugal to India	To enhance cooperation in marine research through subjects such as oceanography, marine ecology, technical and scientific development of aquaculture and bio-geo chemistry and ocean acidification	Marine research

Entities of partnership	Name of signatories	MoU description	Sector/area
Academic institutions (2019)	Council of Scientific and Industrial Research, India; and the French National Center for Scientific Research, France	For promotion and support of scientific and technological research	Science and technology
Academic institutions and government (2020)	The Indian Institute of Technology, Delhi, and UiT The Arctic University of Norway; Indraprastha Institute of Information Technology and UiT The Arctic University of Norway; IIT Jammu and Norwegian University of Science and Technology; and IIT Mandi and Norwegian University of Science and Technology	Conduct joint research on biophotonics, health and diagnostic tools, nanotechnology, water management and renewable energy, in clean energy and energy systems	Sustainability, health, engineering and technology

Source: Ministry of External Affairs, GoI, 2020


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5. Foreign start-ups in India: Findings

5.1 India as an attractive destination for start-ups: Evidence from literature review

Studies in India show that it is one of the fastest-growing markets for start-ups. The Indian start-up base stood third globally (after the US and the UK) and was expected to grow 2.2 times by 2020 (Yes Bank 2017; NASSCOM and Zinnov 2016; Grant Thornton and ASSOCHAM 2016). Start-ups in India operate across multiple verticals including information and communication technology (ICT), healthcare, clean technology, financial sector, education and e-commerce. These start-ups have created an estimated 60,000 direct jobs and 130,000–180,000 indirect jobs.[51]

Driven by the recent policy initiatives of the GoI, the start-up economy has flourished, and the country has greatly improved its score on the Global Innovation Index (GII) from the 66th position in 2013 to the 52nd position in 2019. [52] Notable policy initiatives include the angel tax abrogation, the National Policy on Electronics, the National Policy on Software Products and the Personal Data Protection Bill (PDP Bill). Other key factors behind the growth of start-ups in India are listed in box 4. In addition, government initiatives and programmes such as Startup India and Digital India foster entrepreneurship and investment in start-ups in India. However, there is no study which specifically focuses on the experiences of foreign start-ups in India.

51 "Over 1,300 Start-ups Added in 2019, over 8,900 Tech-Start-ups in India Now: Nasscom", *The Economic Times* (5 November 2019).

52 S. Anupam, "2019 in Review: The Policy Updates that Impacted the Indian Startup Ecosystem", *Inc42* (23 December 2019).

Box 4. The Start-up ecosystem: Advantages in India

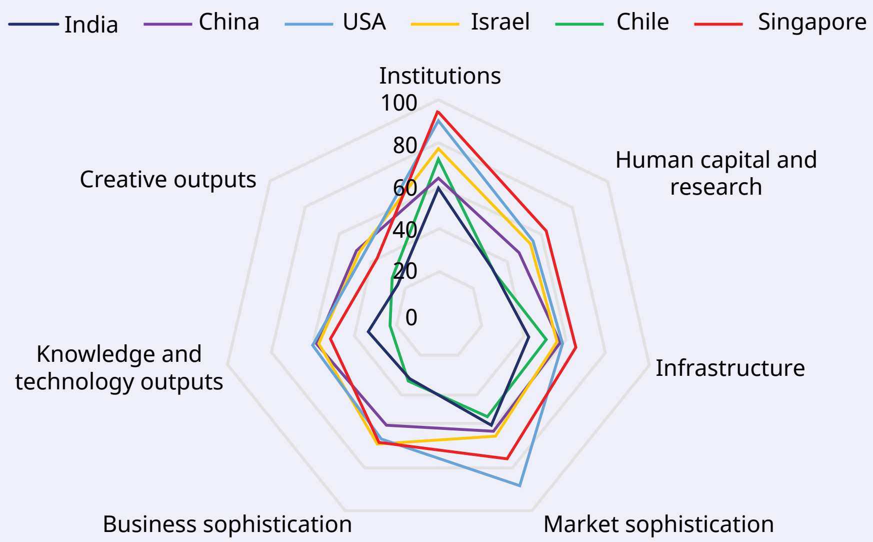
- Growing economy: According to the International Monetary Fund, India's gross domestic product (GDP) growth was expected to reach 7.4 per cent in 2018 and 7.8 per cent in 2019, making it the world's fastest-growing economy. However, India's GDP growth decelerated to a more than five-year low to 5 per cent in the second quarter of 2019–20, reflecting the macroeconomic slowdown in the world economy.[53] However, reforms like corporate tax reliefs and other benefits will enable start-ups to remain profitable.
- Large and highly educated young population: India has the world's largest youth population in 2020 with 356 million young people. They comprise the largest supply of university graduates in the world in 2020 and provide the third-largest cohort of scientists and technicians in the world.
- Indian diaspora: As of December 2017, there were approximately 31.2 million Indians living overseas. Indians have especially thrived in start-up communities abroad, such as Silicon Valley. Data has shown that 33 per cent of all immigrant-founded companies in the US have Indian founders (Kauffman Foundation 2017). This has important spillover effects for the Indian technology industry, which benefits enormously, financially and otherwise, from the success of Indians in Silicon Valley. This includes return migrants bringing international experience and expertise with them.
- Rising domestic consumption: A rise in upper-middle-class and high-class consumers has driven the consumer market. It is estimated that private consumption will rise by four times by 2025 (Grant Thornton and ASSOCHAM 2016).
- India's Ease of Doing Business rank: India improved its rank from 130 in 2016 to 100 in 2017 on the World Bank's Ease of Doing Business index. In 2020, it further improved to the 63rd position among 190 countries, making it one of the world's top ten highest improvers for the third consecutive time.
- Innovation and infrastructure development: These have occurred in the areas of analytics, education technology, healthcare technology and financial technology. Many new start-ups in India have been set up in these sectors. The number of new additions of advanced technology start-ups witnessed a five-year CAGR of over 40 per cent (NASSCOM and Zinnov 2019).
- Growth of start-up hubs: There were 8,900–9,300 technology start-ups incepted between 2014 and 2019 (up by 7 per cent from 2016) (NASSCOM and Zinnov 2019). Seventy per cent of Indian start-ups are located in three cities – Bengaluru, the National Capital Region (Gurugram, Delhi and Noida) and Mumbai (Yes Bank 2017 and NASSCOM and Zinnov 2019).
- Incubator and accelerator access: There were more than 335 incubators and accelerators in 2019 in India and this was expected to grow to over 450 by 2025. More than 50 per cent of the incubators were set up in the last five years, assessing the rise in demand (NASSCOM and Zinnov 2019).
- Growth in angel investment: At present, there are more than 1,100 active angel investors.[54] These investments have shown an annual average growth rate of 124 per cent during the period 2008–15. The estimated investment amount through angel deals has grown at an annual growth rate of 205 per cent during 2008–15. The number of angel investors has also grown at an annual average of 107 per cent during this period.[55]

Source: Ministry of Commerce and Industry, GoI, 2020; Ministry of External Affairs, GoI, 2017; World Bank, 2017; NASSCOM and Zinnov, 2019

53 "Meter Down: At 5%, GDP Growth Falls to 6-Yr Low in June Quarter", *The Economic Times* (31 August 2019 update).
54 Sourced from Angelist, Letsventure, as mentioned in NASSCOM and Zinnov Report 2019.
55 *India Venture Capital and Private Equity*, Department of Management Studies, IIT Madras (2016).

The position of India vis-à-vis other countries as an attractive destination for start-ups is also reflected in a number of cross-country comparative indices for innovation, entrepreneurship and start-ups. In the World Intellectual Property Organization's GII for 2019, which compared innovation performance of 127 countries and economies around the world, India's overall ranking has improved from 66 in 2013 to 52 in 2019, but it is still lower than countries such as Israel (ranked 10), China (ranked 14) and Chile (ranked 51). Some of the reasons for India's low ranking include infrastructure (which includes ICT, logistics performance, ecological sustainability and gross capital formation) and creative outputs (which includes trademark applications, creative goods and services such as cultural output and publishing work, and online creativity as shown in figure 2).[56] The GoI has also eased compliance requirements for foreign funding, recognizing the need for India's start-up ecosystem to attract FDI.[57]

Figure 2. India's GII ranking vis-à-vis select countries across sub-indicators (2019)



Source: World Intellectual Property Organization, 2019

56 Global Innovation Index 2017, World Intellectual Property Organization (2018).
57 RBI, "Sixth Bi-monthly Monetary Policy Statement, 2015–16" (2016).

Data from recent global ranking exercises also underscores India's relative low ranking at the global level. In the Global Entrepreneurship Index of 2018,[58] India was ranked 68th among 137 countries. The Startup Ecosystem Ranking for 2019 ranked the world's top 20 start-up ecosystems (by cities); the top 5 ecosystems in world were Silicon Valley (US), New York City (US), London (UK), Beijing (China), and Boston (US) (Startup Genome, 2019). The only Indian ecosystem featured in this list was Bengaluru, which was ranked 18th. Thus, while India has a lot of potential to become a start-up hub, its low ranking across various indices indicates that there are some barriers which need to be investigated and addressed to reach the potential.

58 This index is an annual index that measures the health of the entrepreneurship ecosystems in 137 countries and analyses how each country performs in the domestic and international context.

5.2 Primary survey

This section is based on in-depth interviews with 25 EU start-ups in India and stakeholders facilitating the entry of such start-ups into India.[59] The survey shows that start-ups from the US top the list of foreign start-ups in India, and that the Indian diaspora in the US is one of the main contributors to start-up investments in India. Among the EU Member States, there are a number of start-ups from France and Germany in India. Recently, companies from eastern European countries have shown a keen interest in the Indian market. As discussed, a number of EU Member States (such as the Netherlands, Portugal and Sweden) have set up joint start-up hubs with Invest India, and some others are planning to do so. Such initiatives will help bring EU start-ups to India and vice versa.

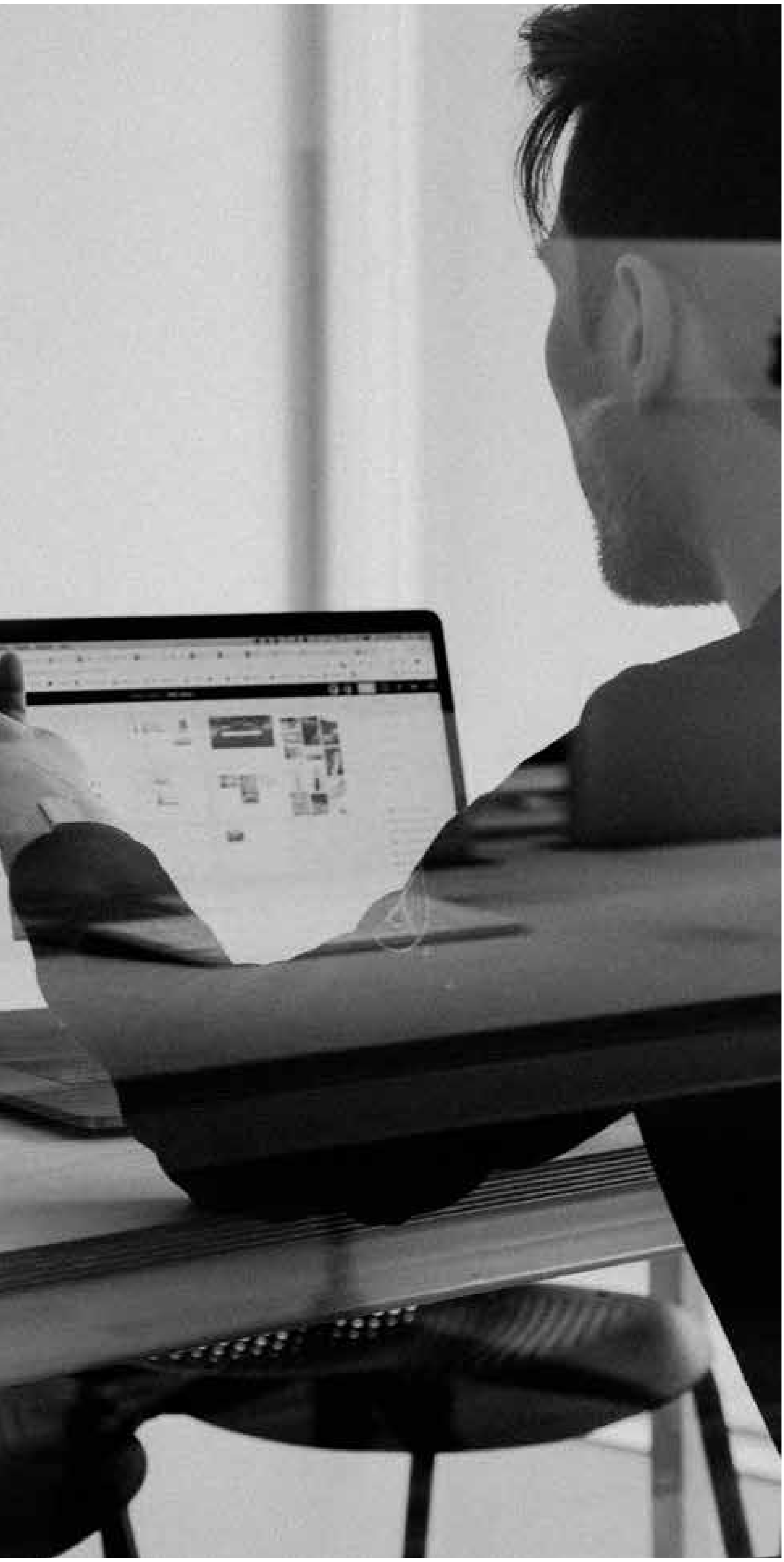
The survey found that EC-funded private initiatives such as the SEU-IN, Indian government initiatives such as Invest India (through the Startup India portal), and NGOs such as the EBTC are trying to help EU-based start-ups enter the Indian market. There are private initiatives such as the Make Room Ecosystem (established in 2016) that has facilitated the entry of the EU start-ups in India and Indian start-ups in the EU Member States in the social sectors. During the interviews, it was pointed out that most of the EU start-ups supported by the Make Room Ecosystem are from countries such as Germany, Austria and Italy, and they primarily work in south India (with Bengaluru as the hub) and in the state of Maharashtra.

The discussion with Indian government agencies and Invest India highlights that it is important to market India as an attractive start-up destination to foreign start-ups. The Start-up Action Plan refers to a flagship event for start-ups along with other stakeholders such as investors, incubators and accelerators. Survey participants have also pointed out that India should have one flagship event (such as the Slush technology start-up event in Finland, Latitude59 in Estonia, and the Startup India Global Capital Venture Summit in India) which start-ups from the country and abroad can attend every year.

The two key reasons why EU SMEs have faced difficulties in exploring the global market are lack of capital and lack of cultural understanding or awareness both at individual and organization levels.

A start-up generally explores international markets once they establish themselves in the domestic market and are ready for scale expansion. Further, even after gaining scale, EU-based start-ups often invest in other countries such as Israel, the US, Chile and Singapore before coming to India. Thus, when they come to India, they have a large scale of operations and may not exactly fit the definition of start-up as defined by the Indian government. This has been the case with the French start-up BlaBlaCar, which had already become one of

59 For more information on particular start-ups in this study, please refer to their respective company websites.



the largest long-distance ride-sharing community in Europe before it entered the Indian market. Spotify, the digital music service company from Sweden, launched operations in India in 2019 after it had gained a certain scale and had explored other markets, including the US.

Sometimes, large EU companies may open their own start-ups in India or acquire a start-up in India to diversify their offerings or to cater to the specific needs of developing countries such as India. For example, the Italian company Ubiquity has acquired a majority stake in Solutions Infini, a Bengaluru-based Indian start-up in communication and cloud services. This acquisition is expected to broaden Ubiquity's offerings and business solutions.

In many cases, scientists and entrepreneurs from India and other countries have collaborated to develop a product which may be under a joint government funding, which is then sold in the Indian market through a start-up. For example, a portable eye-testing device has been developed by the US-based start-up PlenOptika, in partnership with Aurolab (based in Tamil Nadu), under the India–US Science and Technology Endowment Fund,[60] and the device is now sold in India.

60 USISTEF, "About the Fund" (2014).

5.2.1 Partnerships as a common market entry and support strategy

Ninety per cent of the foreign start-ups which were interviewed are still in the process of establishing their presence in India. They reported the need to understand the domestic market and inform their market-entry strategy. They also pointed out that India is not an easy market to establish presence in, and it would take them around four or five years to understand market dynamics. It is important to note that 20 of 25 foreign start-ups that were interviewed have not navigated or were not even aware of the Startup India Hub portal. According to Invest India, some foreign start-ups from countries such as Israel have raised queries on this portal, but EU-based start-ups have hardly raised any queries. Many companies who are planning their market-entry strategy have been facing difficulties in understanding the market and business risks.

It was found that partnerships with Indian entities (private start-ups or governmental stakeholders) emerged to be the most common strategy for foreign start-ups. Some start-ups preferred partnerships with start-up accelerators, mergers and acquisitions, and global consultancy firms.

Start-ups such as the German-based B2X Care Solutions have entered India through mergers and acquisitions. A number of foreign companies have Indian partners who help with market-entry processes. Fifteen companies pointed out that partnering with Indian innovation start-ups can help leverage the company's technological expertise with the market know-how of the Indian partner. The Indian partner can help in localizing the products and services for the Indian market. In a few cases, there are incidences of partnerships with the government. For example, the Israeli start-up Seemba has a partnership with the Maharashtra government for the Bring Maharashtra Online programme. This programme is expected to help local businesses migrate towards a digital and cashless future. Partnerships of such businesses with government departments both at the Centre and state levels help in the process of growth of start-ups.

Of the total study sample, five EU-based start-ups were found to be using the services of global consultancy firms to decide their go-to-market strategy for India and to facilitate the process of market entry and business set-up, while others have used NGOs such as EBTC. Initiatives such as the GINSEP are expected to play a similar role in the future. The survey found that 20 of the EU start-ups did not avail the services of private consultants, as these services are expensive, and some consultancy organizations do not offer reliable information. More recently, Indian SMEs in niche areas, such as QuantumLaMA Consultancy in the ICT sector, have emerged and are trying to work with foreign start-ups to help them to set up business, identify the right skills, provide them with technical skills for pilot projects and cultural training, and so on. In some instances, start-up accelerators are helping the foreign start-ups to enter the Indian market. For example, YES Fintech, the start-up accelerator of Yes Bank, has helped foreign start-ups such as Dov-E, bNesis, Sentimer.AI to enter the Indian market.[61]

Some foreign start-ups came to India to support global clients. For example, the French start-up Sigfox came to India to support some global clients such as Texus Instruments. The start-up is now doing pilot projects with both government and private enterprises (around eight to ten companies across different segments including start-up device companies and electronic chip design companies).

Five EU-based start-ups were reported to be in the process of entering the Indian market (Italy-based agricultural and IoT start-up Evja, the Danish start-up Aquaporin, the German start-ups Tretbox GmbH (an electric car manufacturing company) and Coolar UG (manufacturers of sustainable, electricity-independent medical refrigerators).

61 YES Fintech Accelerator Program Structure, YES Fintech, Yes Bank (2018).

5.2.2 Reasons for entering or exploring the Indian market

There are several reasons for the EU and foreign start-ups to explore the Indian market. All 25 start-ups surveyed stated that India is a large and fast-growing market with a stable democratic system and educated workforce. The foreign start-ups also referred to some key regulations of the government which have helped streamline business operations as well as protect citizen and investor interests. These include the Insolvency and Bankruptcy Code, 2016,[62] the Goods and Services Tax (GST) Act, 2017,[63] the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Bill, 2018,[64] the Real Estate (Regulation and Development) Act, 2016,[65] among others.

Over the years, the Indian government has taken several steps to improve the ease of doing business, including introducing online portals for filing tax returns, fixing timelines for clearance of applications, and introducing the e-Biz project for single-window clearance. Measures such as removal of minimal capitalization norms, liberalization of FDI policy, reforms in external commercial borrowing regulations, and the abolition of the Foreign Investment Promotion Board have simplified foreign investment in the country. Such factors, along with policies such as Digital India, have made India an attractive destination for foreign start-ups. The majority of foreign companies in the ICT sector specifically see potential in India's rapid digitalization through the government's Digital India initiative, while a number of other companies with innovative financial products want to try them in this unsaturated market, which is quickly adopting modes of digital payment post-demonetization.

In addition, some foreign start-ups who have created products (based on air or water purification, low-cost medical devices, or any other social innovation) for developing countries have approached India to test product viability. If the innovation is frugal, leading to an economical product, India would be a large and appropriate market for such products.

Students from the EU Member States who came to study in India have also set up start-ups. For example, Cyril Feuillebo from France came to India to study at the Indian Institute of Management (IIM), Lucknow, in 2003. He founded Kronokare, a skin- and haircare brand that uses French technology to cater to Indian skin types. Similarly, the German entrepreneur Flo Oberhofer became interested in India when he came to study at the Indian Institute of Technology Madras (IIT-M) in Chennai. After returning to Germany in 2016, Flo founded Startup2Germany and Startup2India, helping start-ups from India and Germany to set their footprint in each other's market. He is also working on a number of projects in India.

5.2.3 Starting a business

India is a large market where regulations, administrative processes and approval processes vary across states. These different regulations and administrative procedures pose complexities for starting a business. The survey found that it takes around four months to get approval and another three to four months after obtaining all permissions and approvals to start a business in India. Commencing business operations can take from six months to two years if a foreign start-up wants to set up manufacturing facilities. The delay may also be due to the process of identification and acquisition of land as a common digital platform to verify land details is still being developed. Construction permits from various agencies also takes additional time.

62 The Insolvency and Bankruptcy Code, 2016.
63 The Central Goods and Services Tax Act, 2017.
64 Press Information Bureau, "Cabinet Approves the Commercial Courts, Commercial Division and Commercial Division of High Courts (Amendment) Bill, 2018" (7 March 2018).
65 Real Estate (Regulation and Development) Bill, 2016.

As part of the Make in India initiative, the government has introduced single-window systems in many states, but the companies in the survey were not aware of this. Some of them pointed out that there are pending implementation issues on the ground like export-linked incentives given to domestic industry in special economic zones (SEZs) and clusters, which are prohibited under the World Trade Organization's (WTO) Subsidies and Countervailing Measure Agreement. While the Department of Commerce is trying to design a new policy on subsidies, foreign start-ups are reluctant to locate in SEZs and electronic hardware technology parks.

Start-ups in India require the residency of company directors in India, and there is no possibility of e-residency, as given by some countries such as Estonia. This may then make it a difficult norm for a small foreign company to comply with. India has introduced the "one-person company" (OPC) through the Companies Act, 2013, to support entrepreneurs who on their own are capable of starting a venture, by allowing them to create a single-person registered company.[66] This is a hybrid structure which combines features of a sole proprietorship and a company form of business. However, an OPC can only be formed by a naturally born Indian resident and citizen. Non-resident Indians (NRIs) or foreign citizens cannot form an OPC. Since most shareholders of start-ups are foreign nationals or NRIs, this is often not beneficial to them.

Some companies in the survey sample expressed that during and after the incorporation stage, there are issues related to transferring the working capital from the company in the foreign nation to its subsidiary in India. There are lengthy procedures, and the money is not transferred seamlessly to India.

66 The Companies Act, 2013.

5.2.4 Start-ups by sector

As shown in table 4, EU start-ups are present in India in high-technology areas with a strong focus on the use of ICT across a wide range of products and services sectors. Specifically, they are present in areas such as financial technology, IoT, artificial intelligence and machine learning, blockchain technology, cyber security, clean technology, e-governance, data streaming, customer care solutions, and social sectors to name a few. They have shown interest in participating in government initiatives such as Digital India and Smart City projects. The survey also found that start-ups from specific countries have shown interest in certain sectors. For example, German start-ups are interested in areas such as logistics automation and warehouse robotics, while Estonian start-ups are interested in e-governance. A number of e-commerce start-ups in areas such as food, health and wellness, and fashion are exploring the Indian market.

The primary survey found that more barriers are faced by companies working in the social sector and those setting up manufacturing units compared to those in high-technology services sector.

Table 4. Select EU-based start-ups across different sectors in India

S. no.	Name of signatories	Country of origin	Sector
1	B2X Care Solutions	Germany	Customer care solutions for electronic devices
2	BlaBlaCar	France	Mobility
3	Central Test	France	Psychometric assessment
4	DCMN GmbH	Germany	Digital branding and marketing (via TV, radio)
5	Famoco India	France	Digital payment and online banking
6	Guardtime	Estonia	Blockchain technology
7	Kronokare Cosmetics Private Limited	France	Cosmetics/skincare
8	Lingvist	Estonia	Adaptive language-learning platform

S. no.	Name of signatories	Country of origin	Sector
9	**Lyra Networks India**	France	Digital payments and data services
10	**Margento BV**	Slovenia	Digital payments
11	**Progressive Environmental and Agricultural Technologies (PEAT) GmbH**	Germany	Agriculture
12	**SendinBlue**	France	Cloud-based digital marketing tools
13	**Sigfox**	France	Consulting on IoT
14	**Spotify AB**	Sweden	Digital music
15	**The Storytel Group**	Sweden	E-books and audiobooks
16	**SweepSmart B.V.**	The Netherlands	Waste management
17	**Truecaller**	Sweden	Global caller ID service
18	**Ultraconfidentiel**	France	Interior design

5.2.5 Contribution of foreign start-ups

The survey found that the entry and presence of foreign start-ups have benefited India in several ways:

- Bringing in innovative products and services to improve the efficiency of Indian businesses: Lyra Networks India, for example, offers secure digital payments and data services to retailers, which have helped improve their business performance. The company has been present in India for a decade, and during this period it has broadened its customer base and service offerings. The company has customized its products for the Indian market.

  Another French company, SendinBlue, offers cloud-based digital marketing tools to over 50,000 growing companies. These services have primarily benefited Indian SMEs. They have offices in the US and in Noida (NCR).

- Offering digital solutions to facilitate India's transition from paper to digital economy: For example, the French company Famoco was set up in India around two and half years ago to provide solutions for secure transactions through Android-based mobile devices. With demonetization in November 2016, Famoco collaborated with banks such as State Bank of India to address the issue of the shortage of money. It offers a closed loop transaction solution that simplifies low-value transactions which is being used by thousands of Indian shopkeepers.

  Lyra Networks India is working with the Department of Posts and the Ministry of Communications to equip postmen with point-of-sale machines. This helps to complete the department's plan to roll out a full-service payments bank.

  The Slovenian company Margento has tied up with Masterline Telebiz Private Limited in India for services related to online payments using mobile phones. The two companies have also created a SIM card which can enable a non-smartphone device to perform the functions of a smartphone (which will enable Indians even in remote areas who don't have a smartphone to make digital payments).

The Estonian Company Guardtime is a pioneer in blockchain technology. It has developed a digital signature system (Keyless Signature Infrastructure, KSI) based on blockchain technology and has partnered with Inspira Enterprise in India to implement KSI in India. This technology has helped implement the e-governance system in Estonia, which has led to the saving of 2 per cent of the GDP. It is expected that if this technology is adopted in India, it will reduce cost and improve speed of governance.

- Creating jobs: This is one of the key contributions of foreign start-ups in India. The survey found that most of the foreign start-ups employ local skills. For example, Lyra Networks India employs 55–60 people in its development centre in India and plans to create 20 more jobs in the near future. Famoco India has seven employees at present but plans to increase employment as business expands. The German start-up DCMN GmbH, established in Berlin in 2010, set up a subsidiary in Bengaluru as its Asia hub in May 2016 and employed 14 people. It plans to expand in the future as business grows.
- Increasing the productivity of the agriculture sector and helping reduce wastage through use of technology: The German start-up PEAT GmbH, founded in 2015, has developed a mobile app called Plantix, which contains a large database of pictures of plant diseases which can be used for comparison and diagnosis. Working with artificial intelligence and image recognition, this start-up helps farmers worldwide to diagnose and treat plant diseases. As of February 2018, the start-up had 30,000 Indian farmers among its users.

Agribuddy Limited, established in January 2015 with its headquarters in Hong Kong, China, with operations in Gurugram, Haryana, and Thermo Fisher Scientific's Global Technology Development Centre in Bengaluru provide agricultural support (application-based) expertise on cloud technologies, etc. Thermo Fisher Scientific's Global Technology Development Centre start-up connects ground-level data to understand the issues faced by farmers, and the data is used to build the creditworthiness profiles of farmers

- Water and sanitation solutions: The Dutch company SweepSmart BV provides waste disposal solutions to India's waste pickers and scrap dealers. The company uses European waste management and business knowledge and combines it with the local entrepreneurship of the informal recycling sector in India to come up with waste management solutions.

5.2.6 Ease of business for foreign start-ups in India

A number of EU-based start-ups pointed out that they first enter and establish in other markets such as the US and Singapore before venturing into India. The US companies stated that they first locate in countries such as Chile, Singapore and Israel where they innovate, try out the products and services, and subsequently come to India. This is because of certain issues, including the fact that it takes longer to set up a company in India and there are better start-up ecosystems in countries such as Israel and Chile. India greatly improved its performance on the Ease of Doing Business index, particularly in sub-indices such as "Starting a Business" (155 in 2016 to 137 in 2019) and "Getting Electricity" (26 in 2016 to 24 in 2019). However, while India's rank in "Paying Taxes" had improved from 172 in 2016 to 119 in 2017, it fell 121 in 2019 and still remains low despite the implementation of the GST.[67]

As per the data provided by Invest India, between 1 April 2016 and 31 March 2018, only 88 Indian start-ups were eligible for tax benefits, which implied that they met the desired requirement laid down by the policy. Comparing this with the total number of start-ups in India (which stood at 5,200 by the end of 2017)[68] clearly shows that majority of Indian start-ups are not getting the tax benefits.

5.2.7 Interacting with the administration and getting information

Interactions with administration

In the survey, 15 of 25 respondents said that they did not receive adequate responses to their queries from government offices, or through government websites, especially queries related to the formation of companies by foreigners in India, or work permits and visas. Some entrepreneurs tried to access the Startup India Hub portal and said that they did not have access to resources without registering. After registering, while they got information on registering a company in India, they were still unable to get more details on, for example, the ways in which foreign start-ups can set up subsidiaries in India, what the costs involved are, and how to hire employees for their operations. At times, they may fix meetings in India and travel from foreign countries, but the meetings are cancelled without notice.

The central and state governments are key consumers of several goods and services that start-ups bring to India. Many start-ups are in fact supported by government funds to conduct pilots or scale up. However, at times, government payments can be delayed even after timely and successful project delivery, which creates difficulties for start-ups as they have limited resources. The delay can be due to genuine reasons. For example, start-ups such as Yoti working with the The Unique Identification Authority of India (Aadhaar) did not get their payments as the project was put on hold due to the case being heard in the Supreme Court. The delay may also be due to the multiple government agencies that are involved, and there is need for greater coordination across different government departments and stakeholders. Giving the example of the Smart City project, a start-up pointed out that while funds have been allocated and Smart City chief executive officers (CEOs) have been appointed, bringing local municipalities on board is delaying project implementation and fund utilization. While a number of government bodies are moving towards online platforms for procurement, there is still a lack of standardization and uniformity across states.

Information from the website

The Startup India website[69] is the key site for assisting start-ups. The Startup India Hub portal hosts a "Go-To Market Guide" for foreign entrepreneurs and start-ups to start a new business in India. It comprehensively details the following:

i. Types of business in India

ii. Company incorporation

67 World Bank, Doing Business 2019: Training for Reform.
68 NASSCOM and Zinnov (2017).
69 "Visa Types & Process".

iii. Government initiatives

iv. Indian start-up ecosystem overview

v. Visa types and processes

vi. The tax system

The guide is available under the International section of the Ecosystem tab on the Startup India Hub website.

The site does not have an easy-to-use interface. It also needs to be updated with relevant information on work permits and visa policy related to start-ups, especially on the e-visa and visa on arrival for casual business travellers.[70] It instead lists all types of visas and their requirements, including medical visas, which are not applicable to start-ups.

At present, foreign start-ups post their queries in the Startup Hub Portal by email (which is unstructured data), making it difficult to analyse the queries.

Data

Some experts suggested that one of the reasons that the Indian visa policy looks obscure may be because data and analysis of the number of visas applied for and rejected by different categories (business visa, work permits, etc.) is unavailable for public access. A number of countries and regions including the US and the EU publish data on employment and other categories of visas. According to the EC data, Indians received 67,000 employment visas in the EU last year[71] and different EU Member State embassies could provide estimates of the number of visas requested and given to people of Indian origin in different categories such as the French Tech visa. Providing such information will make the Indian system more transparent.

70 "Indian e-Visa".

71 Inputs received from the survey.

Table 5. Good practices supporting foreign start-ups in India

Policy	• A new specific initiative was launched to support entrepreneurs called Startup India. • Other policies including the National Policy on Electronics, the National Policy on Software Products, the PDP Bill and the National e-Commerce Policy were introduced to help in the regulation of cross-border data flows, channelizing shipments from other countries to India through the customs route, and the removal of application fees for claiming export benefits.
Administration	• The start-up ecosystem is often operational at a decentralized level, allowing state governments to take their own initiatives to reduce delays in the process of land acquisition and clearances. • The application process is completely web-based. On an average, the recognition certificate for a start-up is issued within 48–72 hours, and there is a single-window system in many states. • OPCs are permitted. • There are relaxed norms of public procurement for start-ups. • India offers an e-visa facility (visa on arrival) to casual business visitors. • There is a compliance regime based on self-certification. • An Intellectual Property Facilitation Centre was established in various cities in India. • There is an easy exit to business: entrepreneurs can terminate the business within 90 days from the date of application.
Funding and incentives	• The angel tax was abrogated and three-year tax holiday for start-ups was introduced. • Under the Startup India programme, the government created the "Fund of Funds for Start-ups" with a corpus of 10,000 crore rupees to provide funding support to start-ups.
Information sharing	• An online platform, the Startup India Hub, was established as a single point of contact for stakeholders to enable knowledge exchange and access to funding.

5.2.8 India vis-à-vis other start-up destinations

The survey found that while planning their foreign location, start-ups look at the start-up ecosystem, which includes the ability to secure innovation, incubators and accelerators, access to funds, access to the market, ICT readiness, infrastructure, institutions and so on. These ecosystems can often be city-specific and, therefore, a number of countries (such as Japan and China) give incentives to start-ups at the city level.[72]

When asked about India vis-à-vis other destination for start-ups, survey participants pointed out that compared to India, the processes of getting funding and setting up a company in Singapore are easier. Also, the government is more receptive to trying out new inventions, and intellectual property rights regime is stronger in other countries. Among developing-countries, Chile offers a robust ecosystem for innovators to try out products specific to developing country needs. The European start-ups pointed out that the US offers an extremely flexible environment for start-ups to grow and prosper. In recent years, China has also been offering various incentives to foreign start-ups including tax benefits and incubator facilities, which have made it an attractive destination. In terms of regulations, China can impose more regulatory barriers than India in the ICT sector, but it is easier to get patents and innovate in China.[73] A number of large companies have their incubators in Israel and the country is receptive to innovations and pilot projects. Thus, there is a strong competition that India faces from other countries in terms of attracting foreign start-ups.

72 "Chinese Cities Are Competing to Woo Overseas Entrepreneurs", *The Economist* (22 February 2018).
73 World Intellectual Property Organization.

5.2.9 Issues related to visas and skills

When asked if globalization of start-ups will help increase labour mobility, survey participants pointed out that the globalization of start-ups is directly dependent on the ease of mobility of entrepreneurs, especially highly skilled professionals. The ability of the start-ups to enter and establish their presence in a foreign market depends on the work permit and visa regime of the concerned country.

Visas and registration

While the process of application and granting of business visa has become simpler than before, there is a lack of response to foreign start-ups' visa-related queries for business travel and attending conferences. Also, at times, there is ambiguity in the visas granted. At times, a single-entry visa may be granted when multiple entry has been requested, and visas may be granted for shorter duration than requested for.

The survey highlighted some specific issues related to work permits at the initial stage of the business. Overall, start-ups face more issues in getting work permits than large companies, and many of them have raised this issue with the respective embassies and business councils.

It was also found that work permits are usually given for one year even if they are applied for a longer period of stay (for example, two years). It is a standard practice in many countries to give work permits to start-ups for two or more years. If work permits are given for less than the period of stay/employment, the person has to leave the country to renew their visa, which adds to costs. For example, the CEOs of five start-ups from different countries pointed out that they wanted to come to India for two years but only got a visa for a shorter period. One CEO in particular had to go back to the EU Member State they were from and renew the visa, which added to the cost. Sometimes, businesspersons go to neighbouring countries such as Nepal to renew work permits.

The Ministry of Home Affairs in India has recently liberalized India's visa rules by consolidating several categories as well as subcategories of visas in 2019. The revised guidelines are not currently available in the public domain, but as a part of this consolidation and liberalization exercise, the intern visa has been merged with the student visa; the sports visa with the business visa; and the project visa with the employment visa. Several subcategories of visas issued earlier have also been grouped together.[74]

Upon arrival in India, there is a registration requirement for foreign nationals in a Foreign Regional Registration Office (FRRO) in India. This registration is required for every foreigner visiting India on a multiple-entry student visa (S), research visa (R), or an employment visa (E) valid for more than 180 days. In such cases, he/she is required to have himself/herself registered with the concerned FRRO within 14 days of his/her first arrival irrespective of the duration of stay. [75] There are differences across the requirements in FRROs both within and across states. Further, although the policy states that the visa may be extended by state governments/UTs/FRROs beyond the initial visa validity period up to a total period of five years from the date of issue of the initial employment visa, the process has been cumbersome, and applicants have found the process of a physical visit to the FRRO time-consuming.

There is a minimum salary requirement for skilled or qualified foreign professionals of at least $25,000 per year.[76] This minimum salary requirement is a major hindrance for companies which work in social sectors, agriculture, and in areas related to improving farmer welfare and living conditions. The salary, according to survey participants, is high for skilled professionals who stay and work in villages. The survey participants also pointed out that the minimum

74 "Immigration Aspects Foreign Nationals Coming to Work in India Must Be Aware Of".
75 "Registration Requirements for Foreign National" (2015).
76 "Visa Types & Process" (2018).

salary requirement does not consider which sector the skilled foreign employee will be employed in or where they will stay and/or the cost of living.

Start-ups tend to work with interns and research scholars. For specific projects and/or skills, both Indian and foreign companies may need interns, which are difficult to get in India. If a foreign intern is employed in an Indian company, the company has to pay the intern a minimum of 65,000 rupees per month. The survey participants expressed that this is a very large amount to pay for an intern.[77] The process of bringing in interns can be time-consuming. The companies pointed out that a clearly defined process for interns will help them to file applications correctly. The interns interviewed in this study said that once all the conditions were met, they had no issues in obtaining a visa to work in India.

The survey also found that start-ups need to bring in more foreign employees at the initial stage to set up the business, run pilot projects and train local employees, and that these employees can later be replaced by a local domestic workforce. In this regard, start-ups face challenges in getting more than one work permit for their company because foreign companies in India are expected to employ locals and bring in only those skills that are not available locally.

Skills and local employment

Whether the start-up will continue to bring in skills or employ local professionals will depend on the availability and cost of the desired workforce and the country's policy. The ability to create employment depends on how fast a start-up can establish a business in India and scale up. For example, if it takes a long period to establish a manufacturing facility, the start-up may prefer to import from other low-cost countries and in this case, employment creation will be low.

In the case of India, in high-technology sectors, there is availability of skills at competitive rates. Therefore, in most cases, start-ups prefer to appoint locally. In cases where start-ups need to build local capacity, they take Indian employees to the EU Member States, and other countries in which they have operations, for training.

Twelve companies in the survey pointed out that they find it difficult to find the right talent for specialized jobs in India in areas such as artificial intelligence, machine learning, robotics and big data. Innovation and talent are key to ensuring a successful growth of start-ups (IBM Institute for Business Value, 2016). India's ranking in the GII in 2017 in human capital and research also shows that there is a huge opportunity in readying India's workforce by shaping the right talent and boosting innovation to address the needs of the start-up sector. In 2019, India's ranking in the GII improved by five places to 52nd and retained its top place in the central and southern Asia region.[78]

However, skill shortages faced by Indian and foreign start-ups continue to be problematic. Companies have to invest in training employees with technical and soft business skills, which is expensive for a start-up.

Some companies have raised concerns over differences in work culture between Indian workers and the senior management staff in EU Member States. These differences can hinder day-to-day worker productivity, and the workers may themselves require time and additional training in aligning to the European work culture. European institutes like Hofstede Insights[79] were set up and have helped EU start-ups in India with cultural training and consulting.

77 http://www.in.kpmg.com/taxflashnews/KPMG-Flash-News-Intern-visa-Detailed-guidelines-issued-by-the-Government-of-India-2.pdf /.

78 "Global Innovation Index 2019: India Makes Major Gains as Switzerland, Sweden, U.S., Netherlands, U.K. Top Ranking; Trade Protectionism Poses Risks for Future Innovation".

79 Hofstede Insights.

5.2.10 Quality of infrastructure

The surveyed start-ups reported to have faced issues in the quality of infrastructure (for example, inconsistent power supply or mobile connectivity) and access to infrastructure (access to broadband connectivity) (see table 6). Inadequate quality of transport infrastructure and procedural delays have also been reported to increase the logistics cost.

Table 6. ICT indicators (2015)

Indicator	India	US	UK	China	Brazil
Active mobile-broadband subscriptions per 100 inhabitants	9.36	99.225	87.79	56.03	88.62
Fixed broadband subscriptions per 100 inhabitants	1.34	31.53	37.72	18.56	12.23
Fixed broadband internet tariffs (US$ per month)	24.03	16.32	12.68	31.91	16.62
Internet users (per 100 people)	26	74.55	92	50.3	59.08
Debit card used in the past year for direct payments (%age respondents aged 15+)	10.67	76.23	96.37	48.56	59.16
Credit card used in the past year for direct payments (%age respondents aged 15+)	3.36	60.13	61.69	15.83	32.05
B2C internet use (on a scale of 1 to 7, where 1 = not at all and 7 = to a great extent)	4.2	6.3	6.4	5.3	5.0

Source: World Integrated Trade Solution, 2018

The logistics cost in India is around 14 per cent of the GDP, compared to less than 8 per cent (on an average) for the EU Member States.[80] India is ranked low in the logistics performance indicator[81] of the GII (it is ranked 34th, compared to Singapore which is ranked 5th, China which is ranked 26th and Israel which is ranked 27th), and this low rank is due to factors such as longer travel time to port, longer waiting time for clearances and so on. These increase transaction cost and time. A number of trade facilitation measures have been adopted which can be implemented with better mechanisms at the ground level.

India's rank in the Ease of Doing Business index improved significantly from 130 in 2016 to 63 in 2020. For "Registering Property", however, India's rank dropped from 138 in 2016 to 166 in 2019.[82] These underline some of the procedural and administrative barriers that start-ups need to face at the inception stage.

80 ASSOCHAM India, Logistics India 2016 (2017).

81 This indicator is part of the Infrastructure sub-indicator of the Global Innovation Index 2017 (see figure 2). It assesses the logistics performance of the countries under the study.

82 World Bank, Doing Business Rankings (2019).

As some companies and experts mentioned a lack of EU incubators and accelerators which can support start-ups, this points to an information gap and lack of publicity about R&D in business innovation and product localization by EU companies. While Bosch's Discover Nurture and Align programme and SAP Labs India Private Limited are established start-up accelerator programmes, there are also recent initiatives from European companies. The French incubator Numa set up a start-up accelerator in Bengaluru to help start-ups access venture funds, high-quality mentorship, technological opportunities and international network in an example of a new venture in this area.

Key challenges faced by foreign start-ups in India

- Understanding of local market and cultural issues
- Awareness of schemes, tools and business set-up
- Administrative processes and regulations
- Issues related to obtaining visas and work permits
- Skilled manpower
- Quality of infrastructure and products
- Access to capital and public payments

5.2.11 The way forward for foreign start-ups in India

India has the potential to become an attractive destination for start-ups, and recently a number of foreign start-ups have established their presence in the country. This survey-based study shows that foreign start-ups are bringing in new technology and innovations, which are not only helping speed up government initiatives such as Digital India and Smart City, but also helping businesses, especially Indian SMEs, create a more efficient model of operation. Agriculture, health and other social sectors have benefited from innovative technologies which have helped empower farmers, reduce farm wastages, increase access to clean air and water, lower the cost of treatment of waste and increase the speed of treatment. Foreign start-ups are creating jobs in India, and employment will increase if barriers that they face are addressed and they are able to scale up at a fast pace.

Improving India's ranking in the Ease of Doing Business index to being in the top 50 is a high priority for the GoI.[83] The introduction of several policy initiatives such as Digital India, Atal Innovation Mission, Make in India, Skill India and Startup India indicates the Indian government's interest in moving towards an innovation and entrepreneurship-led economy. The GoI through the Startup India programme has partnerships with 11 countries: South Korea, Portugal, Japan, Netherlands, Sweden, the US, Israel, Singapore, Finland, the UK and Russia.

The partnerships aim to enable

i. innovation and start-up exchange,

ii. market access and funding programes, and

iii. acceleration and ecosystem immersion.

These are all steps in the right direction. However, as of date, more Indian start-ups are going to and investing in foreign countries rather than foreign start-ups investing in India. Thus, there has been an outflow of investment, technology and skills. Based on the interviews with foreign start-ups and other stakeholders, Chapter 7 makes certain policy recommendations, which, if implemented, will attract foreign start-ups to India, improve the start-ups and innovation ecosystem, improve India's ranking in global indices and enable India to move at a fast pace into a "knowledge economy".

83 PTI, "Possible for India to Be in Top 50 on Ease of Biz Index: FM", *The Economic Times* (Delhi, 27 January 2018).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6. Indian start-ups in the EU: Mobility-related challenges and opportunities

This chapter analyses mobility-related challenges and opportunities for Indian entrepreneurs aiming to establish or expand a start-up in the EU. Based on stakeholder interviews and a review of the pertinent literature, the analysis provides insights both for EU Member State regulators and for actors working in the entrepreneurial ecosystem, such as start-ups, business development professionals and incubators.

Where supported by evidence, the analysis highlights available sources of support for Indian entrepreneurs to navigate identified bottlenecks and shortcomings. Regulators and decision-makers in EU Member States, who are involved in legislation and administration in the fields of mobility, labour and entrepreneurship, may draw on the analysis of the shortcomings and practices to make informed policy choices to foster the mobility and admission of Indian entrepreneurs for the benefit of EU start-up ecosystems.

The findings and analysis presented in this chapter are based on a combination of desk research and direct interviews with 10 key stakeholders operating in the EU start-up ecosystem, including start-ups founded by Indian nationals in the EU, Indian start-ups expanding in the EU as well as incubators and accelerators working with such start-ups. The key challenges that emerged are representative insofar as they depict common mobility-related market entry barriers, including administrative, financial, linguistic and cultural issues that apply to most Member States.

The identified barriers and shortcomings inform a set of recommendations which are outlined in Chapter 7. The recommendations provide valuable insights for regulators in EU Member States for exploring options to improve mobility pathways and the national business environment for non-EU entrepreneurs.

6.1 The EU as an attractive destination for start-ups: Evidence from the literature review

Start-ups operating in the EU have direct access to the world's largest regional economy, comprising 500 million consumers with an average GDP of €25,000 per capita.[84] The strength of the EU start-up landscape builds on the seamless flow of goods, people and capital between Member States within the single market. While start-up hubs were previously concentrated in Berlin, Paris and Stockholm, they are now extending to new agglomerations such as Copenhagen, Barcelona, Dublin, Lisbon, Oslo and Tallinn, which provide incentives, infrastructure and networks for non-EU entrepreneurs to grow.[85] The EU is a popular destination for non-EU entrepreneurs and start-ups, including those of Indian origin, as it constitutes the largest single market on the globe; it is also characterized by a set of rules and regulations that are relatively harmonized across EU Member States.

To increase the ease of doing business for start-ups, including for non-EU entrepreneurs , the European Commission Directorate-General for Communications Networks, Content

84 EC, "EU Position in World Trade".
85 Kjartan Rist, "The Future of Startups Is in Europe", *Forbes* (25 July 2019).

and Technology (DG CNECT) launched the first edition of the Startup Europe Initiative in 2014. This initiative aims to develop local, national and regional start-up ecosystems by fostering local networks that bring founders, investors and accelerators together with the purpose of sharing information and encouraging investments.[86] The second edition of the Startup Europe Initiative was launched in 2015.

In recent years, start-ups in the EU have profited from rising investments across innovation-driven sectors including fintech, digital innovation and e-health. The year 2019 was a record year for European start-ups with companies raising over €31.8 billion, a five-year high, and over €6.2 billion more than European start-ups raised the previous year.[87] Despite these impressive figures, the patchwork of national immigration and labour mobility regulations of different EU Member States creates various barriers for non-EU start-ups in entering the EU market.

Europe's representation among top ecosystems has grown steadily, from 25 per cent in 2012 to 33 per cent in 2019, as per the findings of the Startup Genome 2019 Report. Europe has also been leading as the fastest-growing ecosystem across phases, including the "attraction" phase.[88] According to the European Migration Network (2019), attracting start-ups and innovative entrepreneurs from third countries is a policy priority in 17 EU Member States and is reflected in the national policies, strategies and action plans of these countries. Thirteen countries have created special admission schemes for start-up founders and innovative entrepreneurs from third countries, who are given a special visa and/or residence permits to facilitate the immigration of start-up founders and innovative entrepreneurs. Despite the commonality in purpose, there remain significant differences in the design and admission of start-ups and entrepreneurs based on those schemes. Some of the overlapping admission criteria include the need to have

- a business plan for an innovative and scalable business (11 Member States),
- a minimum level of capital (5 Member States), and
- participation in a sponsorship or support scheme (8 Member States).

Several EU Member States also have certain conditions in place related to the start-up founder, which include proof of sufficient resources (11 Member States), required insurance (7 Member States), a certain level of qualification (5 Member States) and/or a minimum level of language proficiency (3 Member States) (European Migration Network, 2019).

A special visa and residence permit to admit third-country-national start-up employees currently exists in Cyprus, Estonia, France and Portugal. In the Netherlands, a pilot scheme for key personnel will be introduced in summer 2020, which will enable non-EU nationals to be incorporated in start-ups in the Netherlands for a period of three years to begin with.

Despite the growing number of initiatives, networks and platforms, the survey suggests that Indian entrepreneurs continue to face different mobility-related challenges in EU Member States, such as long processing times for business visa, high minimum capital requirements and arbitrary cases of visa rejection. The next section will shed light on the key results of the survey and literature review.

86 EU, "Startup Europe, an Initiative to Promote European Entrepreneurship" (2018).
87 "European Venture Report: VC Dollars Rise in 2019".
88 Global Startup Ecosystem Report 2019.

6.2 Primary survey

6.2.1 The survey findings at a glance

Survey participants were asked about the mobility-related challenges and difficulties they have faced during the foundation or expansion of their start-up in the EU. These might have occurred before coming here, during the set-up of the business in an EU Member State, or within daily operations. The stakeholders interviewed and the sectors they are active in are presented in table 7.

The survey findings, while not representative due to the small sample size, suggest that the most popular start-up sectors of Indian entrepreneurs in the EU fall in the domains of ICT, fintech, e-commerce, health and e-health, education and e-learning, and sustainability. Many EU countries have dedicated boot camps and accelerator programme focusing on the sustainability, e-health, automotive and manufacturing sectors, and hence generating an attractive start-up ecosystem for founders in the field.

Table 7. Start-ups[89] and incubators interviewed during primary research

S. no.	Name of the entity	Type	Sector
1	Meetra	Incubator	Consulting
2	EABC – Europe Asia Business Connect	Incubator	Investment consulting
3	DesiGermans	Incubator	Consulting
4	EIT Health e.V.	Incubator	Health
5	GINSEP	Incubator	Various
6	XPOMET Innovation in Medicine GmbH	Incubator	Health
7	SolarVibes	Start-up	Agritech
8	TuduBuddy	Start-up	e-Learning
9	FutureBotanics UG	Start-up	Agritech/IoT
10	Career Development Group	Start-up	Education and career consulting

Source: Data is compiled from the primary survey undertaken for this report.

This finding is also validated by the results from a joint survey report conducted by FICCI, GINSEP and Meetra in October 2019. According to their respondents, the sectors that witnessed the greatest engagement from Indian start-ups and entrepreneurs include IT products and services, consulting, automobile, industrial products and services, medical/pharmaceutical as well as the manufacturing industry.[90]

89 Indian origin here refers to both start-ups from India and start-ups created by Indian nationals in the EU.
90 http://ficci.in/spdocument/23193/FICCI_GINSEP_meetra_survey_indian-companies-in-germany_2019.pdf.

The major mobility-related challenges reported by Indian entrepreneurs and incubators/accelerators include lengthy and unpredictable visa processes, capital requirements that can be considered high vis-à-vis the economic activities they relate to, language skills and cultural differences.

In particular, visa issues and language barriers appear to negatively affect both the initial foundation phase (i.e. concerning the start-up founder and other shareholders) and the recruitment phase of the start-up (i.e. Indian candidates facing difficulties in obtaining work visas for Indian start-ups). This chapter provides a deep dive on the mobility-related challenges faced by Indian start-ups in the EU and identifies partnership strategies deployed by Indian entrepreneurs to mitigate these challenges.

6.2.2 Reasons for entering or exploring the EU market

The EU is attracting a growing number of Indian entrepreneurs and start-ups. Countries like the Netherlands, the UK (former EU Member States) and Estonia have emerged as top EU destinations for Indian talents due to their favourable regulatory environment, subsidized tax rates, conducive public listing norms and high global investor interest.[91] Leveraging start-up-friendly policies and initiatives in a growing number of EU Member States, more Indian start-ups have been incentivized to gain a foothold in an EU country to tap into the EU single market. Building on the survey findings and literature review, this section presents the key reasons incentivizing Indian entrepreneurs and start-ups to enter or explore the EU market.

The EU constitutes the world's largest single market

The EU is home to 500 million consumers endowed with a high purchasing power by global standards.[92] This offers a great opportunity for young start-ups looking to create a demand for their product and generate revenues rapidly after the foundation of the business.

A number of survey respondents highlighted that certain innovative products and services for which the Indian market may not yet be ready have a higher potential in the EU market. This applies particularly to services and products in the sustainability and e-health domains, such as products that use solar or renewable energy or innovative health gadgets and services.

The EU comprises diverse sub-markets in each Member State and start-up policy priorities differ between countries. This allows start-ups to target those EU Member States that have the most suitable instruments and policies in place to unlock the market potential of their specific product or service depending on the sector they cater to. Targeting EU Member States in line with their innovation and industrial policy provides Indian start-ups with a better support infrastructure and a larger prospective customer base. Once an Indian start-up has created a legal business entity in an EU country, providing services and products to other Member States is straightforward since the single market abolishes most regulatory obstacles in the movement of goods, services and capital.

Stability and strength of the euro

The euro is the second-most reserved currency in the world and denominates 22.2 per cent of all world savings.[93] The euro's strength and stability makes establishing a start-up in EU one of the safest investment options for Indian start-ups. Over the past decades, the euro has shown limited fluctuation. According to respondents, this gives Indian entrepreneurs greater confidence that euro rates will remain stable in the long run when they plan to invest or expand their enterprises in EU Member States.

The strong euro also attracts Indian start-ups since they feel that the profits and savings generated in the EU will be less vulnerable to inflation than revenues in other currencies.

91 "Queue of Startups Rushing to Register Abroad Gets Longer", *The Economic Times* (12 February 2020).
92 EC, "EU Position in World Trade".
93 "Top 10 – The Most Expensive World Currencies in 2020".

Widespread use of English in business

English is one of the official languages of business in the EU, which reduces language barriers encountered by Indian entrepreneurs.

Interviewees highlighted that language barriers can be problematic when seeking to set up a start-up in an EU Member State, depending on the proficiency and willingness of counterparts to offer services in English. However, many EU countries such as Estonia and Italy have simplified the process of founding a start-up for non-EU nationals by creating visa websites, application forms and customer service portals in English. In addition, most events, competitions and boot camps organized in the EU embrace English as the official event language. This makes it possible for Indian start-ups to approach and reach out to important stakeholders without the added challenge of language barriers.

More and more EU countries are relaxing language restrictions for non-EU entrepreneurs. Sweden, for instance, allows the issuing of start-up visas to entrepreneurs without knowledge of Swedish, provided they have the required technical proficiency in English.[94] This flexibility in language requirements greatly facilitates the application procedures for Indian entrepreneurs and, ultimately, for the foundation of Indian start-ups in the EU. This provides a competitive advantage compared to the Southeast Asian and many other regional markets across the globe.

94 "Startup Visa: Here's 15 Countries that Offer the Startup Visa to Foreign Entrepreneurs".

Distance and proximity between different EU Member States

Setting up a business in the EU is beneficial for start-ups because of the relatively small distance between Member States. The resulting ease of mobility is a key factor attracting Indian start-ups to the EU. For instance, when a start-up is established in a central European country such as Germany, the manager of the registered company – provided he/she has a valid visa – can reach other Member States within three to four hours. This not only makes it easier to establish customer relations through regular visits and meetings, but also allows young entrepreneurs to easily attend conferences and networking events.

The ease of movement ranks high among the reasons stated by Indian entrepreneurs for choosing the EU over India or other South Asian markets, since movement from India to other regional South Asian markets implies higher distances, requires visa approval and has higher travel costs.

Quality of infrastructure

Most Indian start-up founders considered EU Member States as more favourable in terms of the infrastructure quality – be it digital infrastructure (digital equipment, servers and so on) or physical infrastructure (research facilities, multimodal logistics and so on).

Respondents commented positively on the high quality of infrastructure that countries like Germany, Switzerland[95] and Sweden offer during the testing and incubation phases of products. This is especially important for managers of health and IT start-ups, who feel that the quality of their products and services can be enhanced due to the stringent national- and EU-level regulations, which ultimately benefit the integrity and competitiveness of their solutions.

Relative stability of economic growth and solid position in global trade

Moderate yet sustained economic growth in the EU ranges among the reasons noted by Indian start-ups for the attractiveness of the EU as a start-up location. Two respondents noted that finding funding sources and consistent investment partners has been challenging in India in the recent years. Consequently, these entrepreneurs have decided to take their businesses overseas. Some respondents also reported that raising capital in India was more challenging than in the EU, especially when it came to innovative products and ideas. Thus, a lack of financing opportunities and investors' networks at a scale comparable to the EU has been one of the major drivers for Indian start-up founders to seek foreign destinations.

In 2017, EU Member States invested a total of €320 billion in R&D,[96] ranking second behind the US.[97] Bolstered by the magnitude of EU investments in R&D, Indian start-ups are keen on attracting R&D funds channelled into innovative start-ups.

Finally, by representing its Member States on the global stage instead of having separate trade strategies in place, the EU has emerged as a leading global actor in international trade. Europe is the world's largest exporter of manufactured goods and services and is itself the biggest export market for around 80 countries.[98] The EU's favourable position in international trade makes it an attractive basis for young Indian start-ups.

95 Switzerland is not an EU Member State, but part of the EU's single market.
96 "R & D expenditure".
97 EC, "2019 Industrial Research and Development Scoreboard: EU Companies Increase Investment Amidst Stiff Global Competition".
98 EC, "EU Position in World Trade".

6.2.3 Common market entry and support strategies

Indian entrepreneurs aiming to establish or expand their business in the EU need to first identify a suitable EU Member State to target. According to the stakeholder feedback, market entry is never a simple matter and generally requires external support to help entrepreneurs in navigating the required administrative procedures, from visa issuance to business permit up to recruitment.

Many Indian entrepreneurs, including the majority of survey respondents, have identified forming strategic partnerships as an essential solution to facilitate entry to the EU. Entrepreneurs stated various reasons and approaches for creating partnerships, and the nature of partnerships generally leads to different outcomes. The survey identified four commonly used strategies by Indian entrepreneurs to forge partnerships when setting up or expanding a start-up in the EU:

- partnerships created during networking events and short travels, through which entrepreneurs gain information on the market and acquire contacts, which may facilitate a subsequent foundation or expansion,
- partnerships created during incubation or accelerator programmes, through which start-up founders identify potential shareholders, investors or local partners,
- partnerships through kinship networks with Indian diaspora, which eases the process of setting up and integrating a start-up as a third-country national with access to first-hand experience and support from kin, and
- partnerships established during academic studies or employment in an EU Member State, which can provide the future founder with a basic understanding of the country's market, society, culture and pertinent regulations.

It is possible that one or more of these strategies are used conjunctively in order to facilitate mobility-related challenges for Indian entrepreneurs. The choice of strategy used by an entrepreneur depends on several factors including familiarity with the Member State, experience in the field, the size of the network, existing partnerships and access to information. These partnership strategies are discussed here in detail.

Partnerships forged through networking events and short travels between India and the EU Member State

Survey findings suggest that many Indian entrepreneurs establish partnerships when encountering peers during short trips to the EU. Several respondents recounted that they met useful contacts on their initial visits to a certain EU Member State. For some respondents, travelling abroad in cities like Amsterdam or Berlin resulted in meeting like-minded entrepreneurs. In some cases, these interactions turned out to be a starting point for them to consider establishing a company in the country, either because they encountered people engaged in the same business sector, or because they attended public networking events that exposed them to opportunities of doing business locally. Partnerships formed this way often take the form of soft support in which having a set of first contacts in the Member State can mitigate language barriers and provide orientation on administrative processes, landing support and market entry.

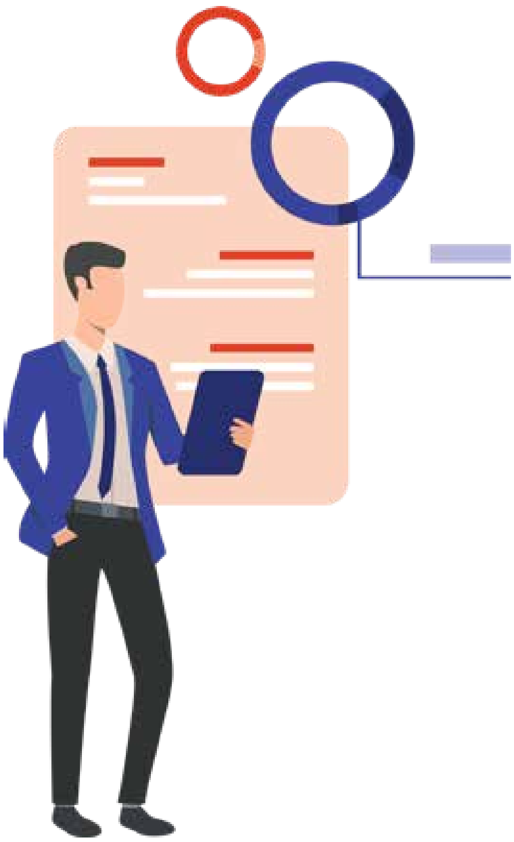
Several interviewees stated that networking events organized in Italy, Germany and Switzerland introduced them with industry experts, some of whom later became shareholders in the start-up. For instance, an Indian entrepreneur with a textile business who had been frequently travelling to Germany during the past years used the opportunity to make contacts and create a potential clientele through different networking meetings. The respondent is now in the process of setting up a business in Germany with support from different clients who have provided him with recommendation letters to ease the process with the immigration office, banks and other offices.

With the growing number of young entrepreneurs and jobseekers travelling to Europe every year, either for tourism or for networking, it is likely that this strategy will be used by many future start-up founders, especially those who prefer to assess the market environment and suitability of the location before starting the time- and resource-intensive process of setting up or expanding a start-up abroad.

Partnerships created during incubation or accelerator programmes

Almost all EU Member States have introduced incubation and accelerator programmes to attract start-ups. Many Indian entrepreneurs make use of these opportunities to set up their business.

Incubation programmes are organized to support start-ups in kickstarting their businesses and matching them with experienced professionals and leaders in the field. Incubator programmes generally range between two and nine months, and offer start-up founders an opportunity to not only test their product and its viability, but also gain an understanding of the competition, size and characteristics of the potential customer base. Most accelerator programmes provide soft support, such as guidance and mentorship, and some even provide seed funding, which start-ups tend to find very helpful. More than half of the respondents stated that incubation and accelerator programmes are one of the key facilitators to enter the EU market. Moreover, if start-ups can highlight an innovative value proposition during the programme, they are likely to receive offers from investors and find local partners more easily, both of which can greatly facilitate the process of setting up a company after the completion of the programme.



Between 2007 and 2013, the number of accelerator and incubator programmes in the EU has risen by nearly 400 per cent.[99] This trend has continued since 2013, and most EU Member States are actively promoting these schemes. There are more than 82 incubator and accelerator programmes in Finland,[100] 60 in Germany,[101] 37 in Italy,[102] and many others across the different EU Member States. Another major intervention to foster ecosystem participation and innovation benefiting the EU and India was established through the Europe–India Innovation Partnership, which seeks to match organizations from both regions through networking events in India and in the EU.[103] Since participation in these programmes is generally free of charge, it can be expected that a growing number of Indian entrepreneurs will utilize this pathway to create partnerships.

99 The Lisbon Council.
100 "82 Accelerators and Incubators in Finland", *Mentornity blog*.
101 "60 Accelerators and Incubators in Germany", *Mentornity blog*.
102 "Number of Certified Business Incubators in Italy as of 2016, by Region".
103 "Launching the European Innovation Zone in India (EIZI)".

Partnerships through kinship/networks through Indian nationals with EU residency

Partnerships based on pre-existing friendship, kinship or community networks constitute another common market-entry strategy for Indian entrepreneurs. In particular, if an entrepreneur of Indian nationality collaborates with Indian-origin friends or relatives who already have the nationality of an EU Member State – or permanent residency in an EU Member State – this greatly facilitates the business foundation, as barriers for third-country nationals are reduced.

Indeed, three of the ten respondents indicated that they were encouraged to create an enterprise in an EU country as they knew someone who already held a permanent residency of the country or as they had close access to a network of Indian community members who could support them during the business registration process. One of the respondents explained that employing workers from his own community or kin enables a greater feeling of trust in the employee, since he knows them and their families well.

Kinships and the feeling of community is a strong pull factor for many Indian entrepreneurs. The Netherlands is home to 235,000 Indian diaspora, the largest in mainland Europe. In fact, 200 Indian companies have set up base in the Netherlands,[104] and Indians were the largest recipients of first residence permits issued by the country.[105] Indians also rank among the top five nations who have been receiving permanent residencies in Germany. Therefore, this market-entry strategy might continue to be prevalent in the years to come.

Establishing a start-up following academic studies or employment in an EU Member State

Finally, the survey also shows that some entrepreneurs established their own start-up after already spending a longer period in an EU Member State on a student or work visa. While these entrepreneurs may not have started their studies or their employment with the plan of subsequently creating a start-up, it emerged that founding a start-up in an EU country is comparatively easier if the founder has already been in the country for a longer time, has a bank account, a physical address and a local network of friends at his/her disposal. Four respondents have used this strategy to set up their business in the EU. According to them, getting a student visa and completing a study course enabled them to better understand the country's culture and language and gain confidence on how to get information, approach government authorities and financial service providers, as well as navigate administrative procedures. One respondent underlined that the academic studies enabled him to make an informed decision on whether the country (and municipality) was a suitable location for establishing his company, given the political, economic and social factors at play.

While the four market-entry strategies described above can greatly facilitate the market entry for Indian entrepreneurs in the EU, most of the interviewees noted mobility-related challenges during the founding process. Some of the interviewees reflected on the fact that some of their Indian peers who tried establishing start-ups in the EU have been denied business visa by the authorities despite having large pre-existing networks. The next section presents the key mobility-related challenges faced by Indian entrepreneurs when targeting the EU market.

104 MEA, India–Netherlands Bilateral Brief.

105 EC, "Residence Permits – Statistics on First Permits Issued during the Year".

Table 8. Good practices for foreign start-ups in the EU

Policy	• A common policy framework that harmonizes rules and regulations across EU Member States, the Entrepreneurship Action Plan; 2020, instituted • The role of migrants as entrepreneurs emphasized in the Action Plan attracting start-ups and innovative entrepreneurs from third countries is a policy priority in 17 EU Member States and is reflected in the national policies, strategies and action plans of these countries • Specific policies by Member States to attract foreign start-ups as policy priority • The Startup Europe initiative launched to ease business for start-up, also for non-EU entrepreneurs
Administration	• Special admission schemes/visas for start-up founders and innovative entrepreneurs from third countries, including fast-track visas and/or residence permits to facilitate the immigration of start-up founders and innovative entrepreneurs • Common market-entry and support strategies • Online procedures for establishing start-ups • Public–private partnerships established within the framework of start-up programmes • Conducive public listing norms • High infrastructure quality – both digital and physical infrastructure • Several incubation and accelerator programmes to attract start-ups • Increasing usage of English as a common medium of business across most EU Member States
Funding and Incentives	• Subsidized tax rates and tax exemptions • Foreign tax credits/exemptions on foreign-earned income • Lower financial guarantees required • Grants for foreign start-ups available, along with dedicated programmes and/or financial support • SEU-IN set up to connect the pan-European and Indian start-up ecosystems
Information Sharing	• The Startup Europe initiative launched bringing founders, investors and accelerators together with the purpose of sharing information and encouraging investments • Specialized information services websites by Member States

6.2.4 Mobility-related challenges for Indian entrepreneurs and start-ups

In order to set up a company in any EU Member State, entrepreneurs require a start-up visa, business visa or a residence permit. There are two different pathways for obtaining such a visa:

- Indian nationals located in India can formally apply for a visa or residence permit through the EU Member State's embassy.
- Indian nationals already in an EU Member State (e.g. on student visa, employment visa, or other) intent on setting up a start-up in this Member State can apply directly at its immigration offices.

For both of these ways, the survey and literature review revealed a set of mobility-related challenges that negatively affect the viability of successfully starting or expanding a start-up in the EU for Indian entrepreneurs.

1. Visa-related challenges

Obtaining an EU Member State visa is one of the most challenging aspects of setting up a business for Indian entrepreneurs.

For entrepreneurs applying from India, various authenticated documents need to be submitted to the Member State's embassy or consulate. Many Member States require the translation of documents into English or the official language of the Member State as well as verification of their authenticity by a public notary. Regulations and acceptance rates vary from country to country, and the time required for a start-up or business visa approval ranges between ten days and several months.[106] A short-term business visa for the Schengen area is available for the months and can usually be processed within ten days .[107]

After an entrepreneur has entered the EU country on a short-term business visa, many respondents reported challenges in obtaining a long-term business visa after the initial period. At this stage in the business formation process, entrepreneurs are often fully engaged in incubator programmes, require a bank account and may need to hire employees. However, the approval process of the long-term start-up or business visa can take up to 90 days, which exposes applicants to a prolonged period of uncertainty. During this time, many Indian entrepreneurs face the difficult decision of whether to wait for approval and save on capital for the future foundation/expansion of the business or target other countries.

The survey further highlighted that in some cases, complications arise when documents are transmitted between the embassy in India and authorities in an EU Member State, when some additional documents may be requested by the destination country. This can further delay the visa process and start-up owners may face prolonged periods of uncertainty time.

For Indian nationals who are already in an EU country, the process of applying for a business/start-up visa is comparatively easier as they often already have created a network of contacts with stakeholders in the sector, have a local address and a bank account.

In Germany, for instance, the German Chamber of Industry and Commerce (IHK) is the designated body to provide support to aspiring start-ups. Before applying to the immigration office for a business visa, every entrepreneur is advised to apply to the IHK with a well-founded business plan, recommendation letters and a budget plan, and undergo a name check test for the company.[108] Upon evaluation of the documents, the IHK provides an assessment report to the start-up owner, which reportedly

106 10 days in Finland, 30 days in Italy. In some countries, due to different document requirements, the time taken can be longer. More information is available on hitecher.com/articles/startup-visa-review.

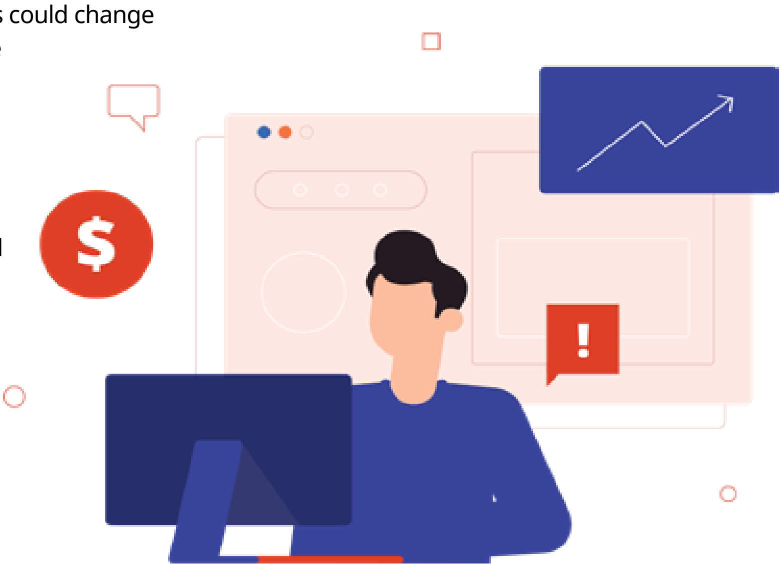
107 "Business Schengen Visa – Traveling to Europe for Business Purposes".

108 IHK Act of 1956.

increases the chances of obtaining the visa approval at the Germany immigration office. In most cases, the IHK assessment is consistent with the subsequent visa decision.[109] After all the required documents have been submitted, the immigration office can take between 30 and 90 days to grant an approval. Business visas are granted for a minimum duration of one year to a maximum of three years and are further extendable for up to two additional years upon expiration.

However, the duration is decided on a case-to-case basis, and respondents reported that the uncertainty regarding differences in application outcomes makes business planning difficult and exposes them to additional stress. One start-up founder mentioned that he and his partner, despite having the exact same application documents, received visas of different durations. The reason for such discrepancy in outcome remained unknown to them, which reflects the planning uncertainty faced by many Indian entrepreneurs in the EU.

In order to renew a business visa after the initial expiration, start-up owners are required to submit an extensive set of documents,[110] and there is no guarantee that the visa will be extended. One of the respondents expressed how procedures and requirements could change depending on the officer in charge. For example, documents such as birth certificates, which were not required during the initial business visa application, were requested during the visa renewal process. This delayed the process since the respondent had to get his papers delivered overseas.



The generally lengthy duration of visa processing, a lack of adequate interview slots and expensive legal counsel (if required), lack of transparency in the decision-making processes, an unpredictable validity period of the visa, complications during the renewal process and the efforts needed for obtaining the required documentation (and notary authentication) makes the business/start-up visa application process challenging for Indian entrepreneurs targeting the EU.

Finally, a number of respondents remarked that the ease of doing business in the EU could be drastically improved if India would permit holding dual citizenship with select EU Member States.

According to several respondents, obtaining an EU Member State passport would enhance their mobility and planning security in the EU. Under current legislation, Indians have to renounce their Indian citizenship once they acquire citizenship in another country.

109 "Name Check by the IHK: Is the Company Name I Want Still Available?".

110 Different documents include the company profile, which includes team size, experiences and backgrounds, details on clients and business valuation and forecasts, visa papers, identification papers and previous years' tax returns.

2. Challenges related to interactions with government authorities and private actors

The required interactions with public and private counterparts differ both between the EU and India, and between individual EU Member States. Navigating administrative procedures is reportedly very cumbersome for Indian entrepreneurs and often requires support by local partners or business advisory services.

Any Indian entrepreneur who seeks to set up or expand a start-up needs to engage with a distinct set of institutions in each Member State. According to respondents, the initial registration at the immigration office can be a daunting task whose outcomes greatly depend on the individual immigration officials. Key issues raised by respondents include differences across Member States in terms of language barriers and the inability of immigration officials to speak English, unforeseen requests for documents which were not requested on the checklist of the authority's website, as well as a lack of free appointment slots for as long as three months.

Second, every start-up requires a bank account, which requires the entrepreneurs to engage with a financial service provider. Many respondents reported that they found it difficult to open a company account at a bank. One respondent reported that he was rejected by four banks in Germany before he was able to create an account during his fifth attempt in a private bank. The process of getting an approval for a bank account can reportedly take up to six months and is a major obstacle for Indian start-ups after the business permit has been granted.

In addition, banks generally do not provide justifications as to why they reject an application, which can be very demotivating for young start-up founders. Documents such as birth certificates, which are not essential in India,[111] are a basic requirement in Germany and other EU Member States and create barriers for founders

who might not have access to such documentation.

Institutions such as immigration offices, chambers of commerce, banks and law firms have distinct procedures and require a number of different documents. In order to apply for

111 In India, it is sufficient for citizens to have a national identity card or a PAN card.

an EU Member State visa – either to participate in incubation or accelerator programmes or to get a start-up visa – Indian companies report that they have to submit many of the same documents more than once. This causes a duplication of efforts for the applicants and is massively time-consuming. Setting up appointments, visiting these offices and completing the necessary paperwork can consume significant resources, energy and time for a young start-up and may result in the venture failing before the business could actually start operating.

3. Funding-related challenges

A lack of required minimum capital ranks among the top three challenges for start-ups identified by the survey. Minimum capital requirements are a key admission condition in many EU Member States. In Cyprus, the minimum capital threshold is set at €20,000; in Austria, Italy and Ireland at €50,000. To register a GmbH or a German corporation, an entrepreneur requires €25,000 as share capital.[112] For many young Indian entrepreneurs, these minimum capital requirements pose a serious challenge unless they can secure funding or investment from incubator programmes or angel investors. By comparison, setting up a company in India requires approximately €2000. This can be a decisive factor for a start-up planning to venture overseas since accumulating such a large amount during the inception stage is often not viable, especially given the difference in access to economic capital between Indian entrepreneurs and their EU peers.

The highest amount of funds required by a start-up is during the inception phase, and even more so when it is being founded in a foreign country. Apart from the minimum capital requirement, respondents noted that additional finances are required for various purposes during the visa application and business foundation process, including for getting/extending a start-up visa or business visa; registration of the company; hiring legal counsel; renting an office; obtaining patents and product certifications; and supporting the family in the Member States or in India. The compound expenditures required for these different activities can quickly approximate to €100,000, which exceeds the funding available to many Indian entrepreneurs.

In some EU Member States, the initial company capital that needs to be demonstrated in the company bank account serves as a security for the business permit and cannot be used for company transactions for a specified period. This creates a further burden for start-up founders to secure additional funds to cover personal living costs and other expenses.

Apart from funding through national- and local-level incubators and accelerators, the EU itself provides extensive funding opportunities through the Horizon 2020, the forthcoming Horizon Europe imitative and the EU–India Innovation Platform. Between 2014 and 2020, Horizon 2020 made approximately €80 billion of funding available for R&D. Participation in a Horizon 2020 programme gives start-ups the opportunity to secure additional private investments. While the funding allocated to individual R&D ideas is very generous by international standards, the application process is very competitive and time-intensive. According to some respondents, it is difficult for young start-ups in their early stages to face such extreme competition and prepare adequately for a Horizon 2020 call as they lack the workforce and required expertise in their teams. Although accelerators, incubation programmes and the many start-up competitions and innovation summits held in the EU provide alternative sources of seed funding, these are often not sufficient to cover the financing needs of a young start-up, particularly during the inception phase.

112 "What to Know About Setting Up a Company in Berlin".

Box 5. Case study on Indian start-up MicroX Labs: Financial challenges

MicroX Labs is an Indian start-up established in 2017 based on the idea of making portable blood-cell-counter devices to monitor the effects of chemotherapy. The team created a device that weighs less than five kilograms and can be brought to patients instead of having the patients come all the way to the hospital, which puts them at a higher health risk. The 14-parameter report generated from collecting only 24 microlitres of blood informs the patient at home when the blood cell counts are back to normal, and a subsequent chemotherapy session can then be scheduled. Notably, a person without medical training can also operate the device.

The product is estimated to have a market potential of €4.4 billion and has won several prizes over the last few years. Based on the prototype, MicroX Labs has already received a series of pre-orders, including a letter of intent from Merc for 1 billion cartridges and 100 instruments; 200,000 pre-orders from Gustave Roussy, the premier European Cancer Research Centre in France; and 50,000 cartridge orders from the University of Tubingen in Germany. Despite this, the start-up is currently struggling financially due to a lack of steady revenues.

The challenges

- In order to register their company as a GmbH in Germany, MicroX Labs is required to show a starting capital of €25,000 in the owner's account. Despite the large number of pre-orders, they currently do not have access to this volume of capital.
- Instead of founding a GmbH, the MicroX Labs owners could set up a mini GmbH, also known as a UG (Unternehmergesellschaft) or one-euro company, which can be founded with a starting capital of €1. However, the legal form of this entity does not allow for more than three shareholders. As MicroX Labs is a technologically driven start-up in a very early stage, it needs to be able to give shares to key technicians, researchers and other founders as an alternative to guaranteed remuneration. Hence, this makes the option of registering a mini-GmbH unviable for the start-up team.
- According to MicroX Labs estimations, the costs of making a minimum viable product, having the necessary patents, lawyer costs and getting CE marking can run up to a total of $4 million. Such large amounts of funding can only be attained through high external investments or by successfully applying for EU Horizon 2020 funds. However, Horizon 2020 is highly competitive and often requires a well-membered team of ten members to be shown, which is difficult to sustain with an average salary of €3,000 per month per employee in Germany.

4. Challenges in obtaining relevant information

Many respondents reported challenges in obtaining timely and accurate information from key Member State authorities, such as immigration offices, tax offices or regulatory authorities. Authorities often have high latency times for online requests and some respondents reported that queries went entirely unanswered. Non-official online sources of information (blogs and websites) tend to provide a lot of information for Indian entrepreneurs, but according to stakeholders, they often omit important information and sometimes present outdated information.

In such cases, many entrepreneurs reportedly try to get information from the Indian embassy in the EU Member State. However, Indian embassies in many EU countries require additional capacity for providing the required information and support to start-up founders. Respondents stated that emails and calls often remained unanswered and personal meetings require appointments, which may take a long time to be scheduled. Embassies from countries such as Scandinavian countries or Iceland host regular start-up networking events and support their national entrepreneurs to meet industry experts. For instance, one of the founders of an incubator mentioned that a crash course on tips for successful applications, supported by a set of guidelines on contact details of authorities, would be helpful for many young entrepreneurs. Many start-up initiatives like GINSEP in Germany have established a strong network of mentors (also referred to as ambassadors) who work as professionals in different industries and address the specific questions and concerns of Indian start-ups.

Finally, many respondents stated that they had no or limited information on different EU start-up initiatives such as the EU Startup and Scale-Up Initiative or the Start-up Europe Network and the EU–India Innovation Platform. This lack of knowledge suggests that the awareness-raising and dissemination activities of these EU-level initiatives might be insufficiently targeted at Indian entrepreneurs.

5. Language barriers

While the usage of English as a common medium of business has increased across most EU Member States, evidence suggests that there is scope for further improvement.

A lack of knowledge of the national language of a Member State was reported to be one of the most important challenges faced by the entrepreneurs. Although many EU Member States allow start-ups to be registered by non-EU founders with sufficient knowledge of English, interactions with many public authorities were found to have a higher success rate when the founder had an adequate mastery of the local language. The impact of these factors appears too dependent on the EU Member State. In Germany, for example, a lack of German proficiency was reported to be a tangible disadvantage for negotiating successfully with authorities.

One interviewee reported that not knowing the language is particularly problematic in the immigration office, since many officers do not speak English and one might miss the chance to present one's business idea or proposal. Entrepreneurs may be asked how they intend to successfully conduct business in the country without having knowledge of the local language. The same applies to banks and other credit institutions, which often have application forms only in the national language, making it difficult for Indian entrepreneurs to complete the process.

While language barriers continue to exist in Germany, there have been improvements in recent years, especially in larger cities such as Berlin and Hamburg. Several other EU Member States, like Finland, Estonia, Lithuania and Croatia, are faring better in mainstreaming English as a secondary working language for public offices and other institutions essential for start-ups in the inception phase.

6. Other cross-cutting challenges

- Data protection

  Data compliance regulations in India and the EU are very different, with data privacy legislation in the EU being far more demanding and intricate. When doing business in the EU, Indian start-ups need to adhere to EU regulations. E-health start-ups face the most stringent data privacy and protection requirements in the world for the collection, storage and transmission of personal medical data. Data collection, processing and retention are areas where Indian regulations have been so far significantly less demanding and differentiated than the EU's General Data Protection Regulation (GDPR).

  In order to understand the regulations and ensure compliance, Indian start-ups handling personal data of EU citizens generally require technological counsel, legal support and IT proficiency. Start-up founders also need to be circumspect as inspections can occur at any time. This overall increases the time and resource requirement for Indian start-ups moving abroad.

- Tax-related challenges

  Young start-ups in many EU Member States are eligible for tax breaks and subsidies from the governments. Nevertheless, corporate tax rates can create a substantial financial burden for newly founded start-ups. The corporate income tax rates differ substantially across EU Member States, ranging from 9 per cent in Hungary to 34.4 per cent in France.[113]

  Respondents noted that it was challenging for them to determine their specific tax class, file an income tax report, and maintain accounts and balance sheets in line with national regulations. Tax classes of most EU Member states are subject to the number of dependents of the

113 "Corporate Income Tax Rates in Europe" (2019).

- Variations in regulations and standards of EU Member States

  Different industries have different requirements and specifications. For example, one of the start-ups surveyed caters to three areas of health services: biotech, medtech and digital health. Every product in either of these categories has its own regulations. For biotech and medtech, clinical trials are required, and the regulations vary between Member States. Reimbursements for clinical trials also vary: for instance, in Spain and France, the company can be reimbursed from investors when the trial is successful, while in Germany this is not the case. Hence, Indian start-ups need to first understand the existing requirements and possibilities in each Member State to ensure that the product adheres to all specifications. However, obtaining the relevant information can be challenging, particularly when operating across multiple Member States.

taxpayer, which is not the case in India's simplified tax regime.

Furthermore, many EU Member States do not provide tax-relevant forms in English and more than half of the survey respondents reported that they found it difficult to understand how to file taxes on their own. The services of competent English-speaking tax lawyers and accountants are very expensive. In India, most entrepreneurs and businesses have a dedicated chartered accountant who looks after the books of the company and handles audits and taxes. It is also possible for most start-ups in India to file taxes on their own given the familiarity with language and simplicity of the procedure, which has recently been made online.


1 Carey
Lane

6.2.5 Contribution of Indian start-ups

Indian entrepreneurs provide talents and skills that are in short supply in many EU countries, such as engineering, fintech, cyber security and e-health.[114] The growing number of Indian start-ups in the EU directly contribute to the knowledge economies of EU Member States.

Many products and services developed by Indian start-ups are highly innovative and have a high potential to generate revenues, direct and indirect employment and tax contributions to the economies in which they are active. In 2013, Gujarat Fluorochemicals, a chemical-manufacturing company from India, incorporated a new subsidiary company (Gujarat Fluorochemicals GmbH)[115] in Germany, which generated more than €1 million worth of turnover within five years of incorporation. These Indian start-ups not only contribute to Member States' economies by providing novel goods and services, but they can also attract additional external investments from non-EU countries such as US and China.

Many Indian start-ups develop very competitively priced goods and services for EU consumers as they have mastered the concepts of frugal engineering, reverse engineering and offshore delivery. Many Indian employees have a distinct culture of work, characterized by an ability to work under extensive pressure and in labour-intensive environments that many start-ups require in the inception stage. This is an additional asset for the often fast-paced work environments of many young start-ups.

Key challenges faced by Indian start-ups in the EU

- Administrative process and cost for visa applications in most EU Member States
- Unpredictable validity periods of business visas
- Support for interaction with immigration agencies, banks, chambers of commerce and law firms
- Minimum capital requirements by many EU Member States
- National language barrier

114 EC, "Startup Europe India Network Is Launched".
115 "GFL Ltd. (GFL Limited) – Company History", *Business Standard*.

7. Conclusion and the way forward

7.1 Learning from global good practices in developing foreign start-up-specific incentives

A number of countries are now offering incentives to foreign start-ups and entrepreneurs, and forums such as the Group of Twenty (G20) are used to highlight such incentives and attract foreign start-ups and entrepreneurs. Incentives bring about technology and further investments, and according to the data published by the European Migration Network (2019), Indian entrepreneurs and start-ups are the second-largest group of applicants for such special visas for start-ups given by some of EU Member States, and EU-based start-ups see India as an attractive market destination. Looking at policies and practices by EU Member States and other countries such as China, Israel and Chile, global good practice is likely to animate measures and reforms that can strengthen India as an international start-up hub.

7.2 Providing pre-decision support to start-ups

Indian entrepreneurs aiming to establish or expand a start-up in the EU would benefit from pre-decision support services that provide them mobility-related procedures, market and sociocultural environment in different EU Member States. Such information services could take the form of events organized in conjunction with EU start-up initiatives (e.g. the Startup Europe Network) and their Indian counterparts. For entrepreneurs already in the EU, these events could be offered by diaspora entities, events co-organized with the Public Employment Services or the local chamber of commerce, and eventually under the auspices or patronage of the Indian consulates in the different EU Member States. The Indian embassy can perhaps play a more active role and encourage more networking events, bridging the gap between Indian entrepreneurs and local partners. Indian embassies in

different EU Member States, can leverage their diplomatic position and organize biannual networking summits for local actors and entrepreneurs in the start-up ecosystem.

The fabric of the market and of the regulations in Europe is also characterized by local realities; this requires initiatives to be tailor-made to these local realities, hence partnerships with local diaspora associations in the EU become critical.

7.3 Expanding the start-up visa pathways

To explore a market, a start-up needs a work permit and visa, which allows it secure access for a two-year period on average to test its product and services. India may explore the possibility of designing a "start-up visa", which will help ease visa- and work-permit-related barriers faced by foreign start-ups in India. There are differences across countries on how they have designed their visa policy. The Indian government may look at the easier visa regulations proposed by various EU Member States. Most EU Member States issue start-up and entrepreneur visas valid for two years. In some instances, before granting the visa, the entrepreneur's business plan is evaluated by a committee, which mostly constitutes experts from industry and government. The survey found that if India adopts similar measures, it could help attract foreign start-ups, create jobs and bring in innovation.

Stronger cooperation between India and EU Member States on visa issues would be desirable and of mutual interest. EU authorities could strengthen testing processes and reduce visa abuses, whereas Indian counterparts would see as a pay-off a more efficient process. To address the issue of repeated document submissions, decision-makers could explore options to exchange pertinent documentation between the database of the Startup India portal and the visa application systems of EU Member States through data-sharing agreements backed by MOUs. Under such an MoU, relevant information and documentation that the user originally submitted to the Startup India database could thus be directly forwarded to the relevant visa application system of a specific EU Member State (upon explicit user agreement). Such data sharing could reduce the administrative burden for start-ups that have already registered on the official Startup India portal when applying for visas to a given EU Member State. This would greatly expedite mobility for Indian founders wanting to travel to the EU for the purpose of incubators or boot camps at short notices.

7.4 Improving existing visa processes

There is further scope in the existing visa process (or policy) to address the concerns faced by foreign start-ups.

The survey also found that there is an urgent need to explore the possibility of granting multiple-entry business visas for longer duration as is done by countries such as the US. At the same time, harmonized visa regulations for Indian start-ups in the EU could be explored through a common application portal. India may also explore the possibility of granting multiple entry under the e-business visa. Similarly, work permits can be given for two years. It should be easier to renew the work permit, subject to submission of valid documents and valid reasons, from India. In 2018, the Indian Bureau of Immigration introduced the web-based application e-FRRO, an online immigration portal, to bring in more transparency and provide paperless services to foreign nationals.[116] The pilot project has been rolled out in Bengaluru, Chennai, Delhi and Mumbai and will be implemented in phases in other locations. This government initiative is recommended for country-level implementation as it addresses concerns raised by foreign start-ups in India.[117] If responses to queries related to visas and work permit are fast, it will significantly improve the perception about India.

There is a need to examine the minimum salary requirements for those with specialized skills. This requirement also weakens India's position in trade negotiations as the country is pushing for removal of such barriers imposed by its trading partners.

7.5 Enhancing incubation support in EU Member States

Despite the presence of numerous incubation and accelerator programmes in the EU, most programmes are limited to forms of support specific to the industry and do not effectively provide general support with registration, accommodation and other initial requirements.

For a start-up to be successful, Indian entrepreneurs in the EU need to navigate essential and less-essential administrative procedures. Some of these can be done by the entrepreneur himself/herself, while others can and should be delegated. The latter ranges from the selection of a suitable local bank to the registration of the domicile, services relating to property renting, and the identification of local partners. As noted by several respondents, incubators could and should provide these forms of "landing support", as well as other regular information and mediation services for dealing with key institutions on start-up visas, bank loans and other services.

In addition, the inception of a dedicated joint fund by the EU and India could be an effective platform for many start-ups looking to expand in either region. Different investors from India as well as the EU – as members of the fund – could earmark sector-specific investments for new start-ups with impactful and innovative ideas. Other interventions, such as organizing crowdfunding events for promising start-up products and ideas may also provide an impetus to the growth of start-ups in the initial phases.

116 e-FRRO Online Portal.
117 A. Chandna, "Good News for Foreign Nationals, Centre Starts e-FRRO Services; Here's How to Benefit", *Financial Express* (Delhi, 22 February 2018).

7.6 Harmonizing the definition for a "foreign start-up"

Start-up definitions vary across EU Member States. While the GoI provides a coherent definition of start-ups, there is no distinct definition of "foreign start-ups". In view of creating an equal playing field for start-ups and reducing administrative barriers, a commonly agreed definition of "foreign start-up" would be beneficial for entrepreneurs both in the EU and in India.

This would allow start-ups to become a juridical subject and a target group that can be measured in evidence-based policy-making processes. A common definition of start-ups in a mobility corridor is also useful to favour capital and trade exchanges of mutual benefit for both geographical areas (and countries), as well as to identify mobility targets in terms of synergies to be achieved through the mobility corridor.

Boxes 1 and 2 in Chapter 2, which present the current start-up definitions in India and different EU Member States, are useful to set the stage for a policy dialogue between counterparts on identifying common elements in primary and secondary legislation.

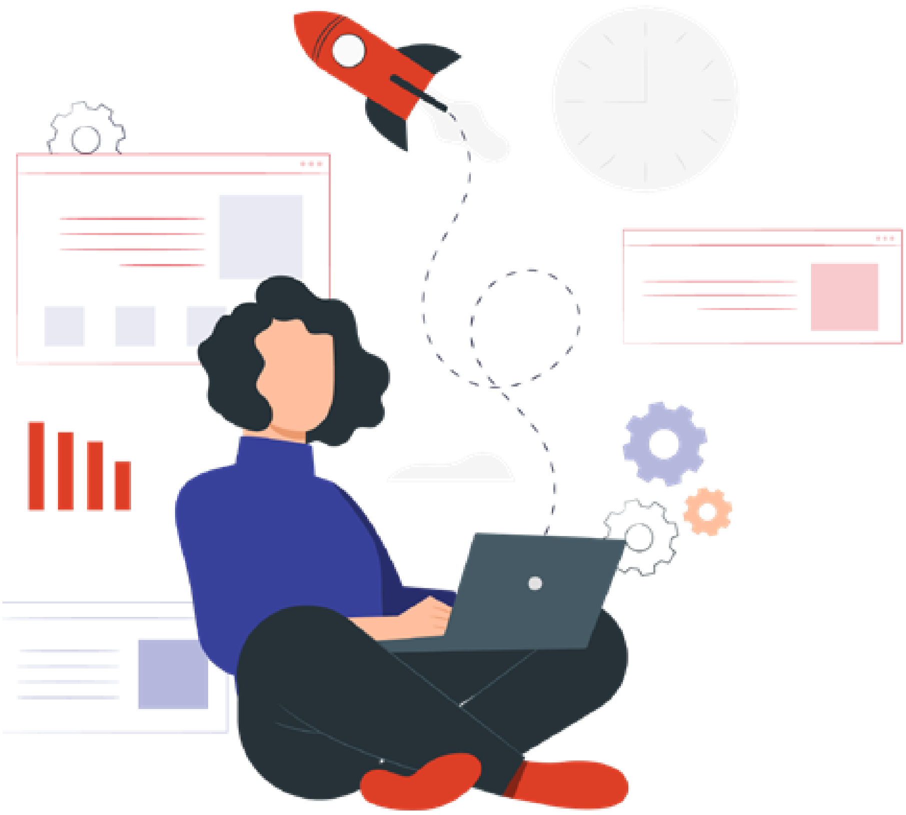
7.7 Strengthening the understanding of foreign start-ups on the domestic market – India

To address the knowledge gap areas for foreign start-ups, the sharing of knowledge and information on culture and innovation in India through webinars and training programmes needs to be promoted. Strategic collaborations with forums such as GINSEP[118] and the IFCCI's Start-up Committee can facilitate start-ups from the selected EU Member States in accessing the Indian market.[119]

An India-centric event on similar lines to the Slush Techonology start-up event in Finland and Latitude59 in Estonia is recommended to market India as an attractive start-up destination for foreign start-ups. Invest India can be made the nodal agency to organize such events in different cities every year.

In addition, decision-makers should explore options to raise awareness of Indian entrepreneurial talent in the EU. A majority of survey respondents suggested that there could be a better dissemination and branding of the skills, talents and contributions of Indian entrepreneurs in the EU in order to signal India's potential as a source of innovative and cutting-edge services and products. This may in turn further improve the opportunities for Indian entrepreneurs to obtain funding, recognition and support.

For this purpose, the option of establishing ambassador programmes could be explored to disseminate an improved image of Indian-driven innovation in key EU Member States. Such ambassadors could be persons who either have been to India or have done business with Indian companies, and can provide testimonials or share real-life experience, in the form of recommendation letters or through live interactive formats organized during a boot camp or incubation programme.



118 "German Indian Startup Exchange Program" (2018.)
119 Start-up Committee, IFCCI (2018).

7.8 Improving data collection and analysis on labour mobility in India

Labour mobility experts in India and business councils pointed out that since they have to provide inputs to the government, it would benefit them if they have access to data on the number of visas applied, number of visas rejected by country and reasons for such rejection, by different categories (business visa, work permits and so on). Data may also be collected on the number of visas that were given on arrival by country of origin. Such data would strengthen India's position as an open market and better facilitate the market for business visitors (including foreign entrepreneurs and start-ups).

7.9 Improving ease of doing business in India

Timely payment to successfully completed projects, extension of benefits under OPCs to NRIs and reduced time of starting a business could contribute to improving India's rank in Ease of Doing Business index. The start-up ecosystem is often at a decentralized level. State governments can take many initiatives to reduce delays in the process of land acquisition and clearances.

7.10 Synergizing different policies and initiatives of the Indian government, focusing on the domestic market promotion, skills and start-ups

At the centre, it is important to synergize the different policies and initiatives of the Indian government. For example, the Make in India initiative can be linked with the Startup India.

The Indian government wants foreign companies to make India a manufacturing hub, but the Startup India initiative in its present format only covers domestic start-ups. There may be some provisions for foreign start-ups, which will attract them to India, bring in technology and investment, and create jobs. In this context, the Ministry of Commerce and Industry may examine the incentives given by other countries to attract foreign start-ups and innovators, and some of these can be adopted by India.

Similarly, as companies face a shortage of skills, the Skill India initiative can be linked to Startup India, helping the companies understand how they can find the right skills and designing the right training packages in discussion with start-ups on how to meet the skill gaps.

7.11 Strengthening the Startup India Hub portal as the nodal point of information for foreign start-ups

The discussions with Invest India and the survey highlight that only a few foreign start-ups are using the Startup India Hub portal, owing to the lack of a user-friendly interface. It is recommended to update the portal with needs-based and relevant information for start-ups, including profiling of a list of incubators and accelerators.

7.12 Strengthening infrastructure in India

To become a start-up hub and attract foreign start-ups, there is an urgent need to improve the telecommunication and broadband connectivity and service quality in India, as the infrastructure in India compares poorly to other countries, and a majority of start-ups rely on technology. The Indian government is taking measures to reduce logistics costs, and this is a step in the right direction. The Indian Ministry of Commerce and Industry has recently set up a Logistics Division in the Department of Commerce for the integrated development of the logistics sector in the country. This division has also initiated work on an integrated logistics portal that will be a transactional e-marketplace. The move is aimed at simplifying the regulatory processes in logistics to reduce transactional costs and time.[120]

Indian corporates and foreign companies may be encouraged to set up incubators and accelerators. India may look at incentives given at decentralized level in countries such as Japan to attract foreign start-ups. If such incentives are given at the city level, some cities can become start-up hubs.

7.13 Reducing taxes and having "smart"

A clear policy on subsidies is imperative for India to become a manufacturing hub. Specifically, the country cannot give subsidies that are export-linked and thereby prohibited under the WTO's Subsidies and Countervailing Measures Agreement. However, the government can replace such subsidies by "smartly" designed subsidies that are allowed in the WTO. For example, subsidies can be given to services used in manufacturing, such as logistics services. The start-ups and other stakeholders pointed out that instead of giving several subsidies, the GoI may explore the possibility of lowering the corporate tax (irrespective of the size of the company) and removing the education and health cess on income tax, which will make it a more attractive destination and encourage start-ups and SMEs to scale up.

7.14 Exploring options for dual citizenship of Indian business founders abroad

In the EU, Indian nationals face stringent requirements related to mobility and residence. As noted by a number of respondents, the ease of doing business in the EU could be drastically improved if India would permit holding dual citizenship with select EU Member States.

120 "Commerce Ministry Plans Integrated Logistics Portal", *The Hindu Business Line* (Delhi, 17 January 2018).

Against this backdrop, Indian decision-makers could explore options for selected cases for which dual citizenship pathways are allowed to certain types of entrepreneurs. Initial schemes could target Member States in which many successful Indian entrepreneurs have established companies, such as Italy, Germany and the Netherlands. Beyond operational benefits for start-ups, this would also contribute to the cultural exchange and societal integration between India and the EU. Several respondents noted that since they have residency in their respective EU Member States, they would soon be eligible for a citizenship, and might have to unfortunately forfeit their Indian citizenships in order to facilitate both business-related mobility and to improve their personal planning security in Europe.

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