#startupindia

➤ **STARTUP INDIA**
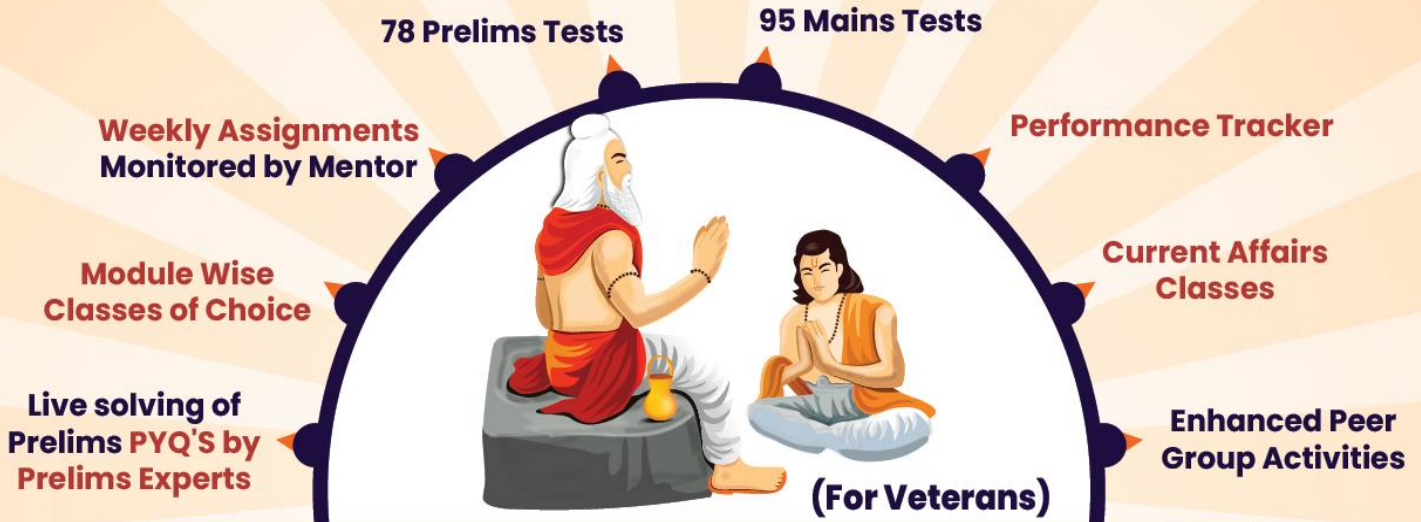➤ **PANCHAYATI RAJ**

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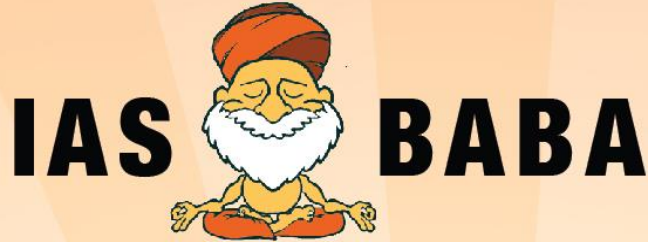
Under The Guidance Of **Mohan Sir (Founder, IASbaba)**

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95 Mains Tests

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STARTUP INDIA

We all start our journeys in life, profession, and dreams somewhere. It is about following one's passion, conceptualizing something unique, giving it a shape, facing all the challenges, and realizing something we truly believe in. It is also about creating something unique, in terms of solutions, products, or services that have the potential to disrupt the existing ways and means; thus, bringing a positive change around us. This is the line of thought behind the Startup India initiative of the Government of India.

It intends to

- Catalyse startup culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India
- Be the driving force behind sustainable economic growth
- Harness the potential to generate large-scale employment opportunities
- Empower startups to grow through innovation and design.

Launched in 2016, the **Startup India Initiative** has rolled out several programs to support entrepreneurs, build a robust startup ecosystem, and transform India into a country of job creators instead of job seekers. In order to meet the objectives of the initiative, the Government of India has announced an action plan that addresses all aspects of the startup ecosystem. With this action plan, the Government hopes to accelerate the spreading of the startup movement; from the technology sector to a wide array of sectors including agriculture, manufacturing, social sector, healthcare, education, etc; and from existing tier-cities to tier-ll and tier-lll cities including semi-urban and rural areas.

The key pillars of support for startups under the Startup India Initiative are

- Simplification and Handholding
- Easier compliance
- Easier exit process for failed startups
- Legal support
- Fast tracking of patent applications
- A website to reduce information asymmetry
- Funding and Incentives
- Exemptions on Income Tax and Capital Gains Tax for eligible startups
- A fund of funds to infuse more capital into the startup ecosystem
- A credit guarantee scheme
- Incubation & Industry-Academia Partnerships
- Creation of numerous incubators and innovation labs, events, competitions, and grants.

Opportunities for Youth in the Startup Ecosystem

India is home to one of the largest youth populations in the world. According to the United Nations, India has over 356 million young people aged between 10-24 years, which accounts for over 27% of

the country's total population. In contrast, developed countries such as the United States and Japan have significantly smaller youth populations, with 64 million and 22 million young people, respectively. This demographic advantage presents several opportunities for the Indian startup ecosystem.

Knowledge-based Digital Economy in India

Initiated the movement towards 100 percent digitization of government processes to make them more citizen-centric.

- Under this, a Digital Public Infrastructure will be developed for the farmers of the country.
- ICMR labs will also be made available to private medical colleges and private sector R&D companies to promote health-based research.
- A new program will be started through the Centre of Excellence to promote research and innovation in pharmaceuticals.
- District Institutes of Education and Training Centres will be developed for revolutionary change in the training of teachers. A National Digital Library will also be built.
- Under the **Pradhan Mantri Kaushal Vikas Yojana**, skills and training will be given for artificial intelligence, coding, 3D printing Things.
    - The third phase of Pradhan Mantri Kaushal Vikas Yojana (PMKVY 3.0) launched recently in 600 districts across all states of India.
    - Ministry: Ministry of Skill Development and Entrepreneurship.
    - Focus on new-age and COVID-related skills.
    - Envisages training of eight lakh candidates over a scheme period of 2020-2021 with an outlay of Rs. 948.90 crore.
    - The 729 Pradhan Mantri Kaushal Kendras (PMKKs), impaneled non-PMKK training centers and more than 200 ITIs under Skill India will be rolling out PMKVY 3.0 training to build a robust pool of skilled professionals.

National Logistics Policy and Startups in India:

Aims to create an integrated and efficient logistics ecosystem in the country.

- Encourages the development of logistics parks and multimodal logistics hubs, which could provide startups with access to better infrastructure and facilities.
- Promotes the use of technology in logistics operations, which could help startups streamline their processes and reduce costs.
- Emphasizes the importance of skill development and training for the logistics sector, which could benefit startups by providing them with a pool of trained professionals to hire from.

Opportunities In The Energy Sector

Today, India's major expenditure goes into meeting its energy needs. The Government has taken this up seriously.
- While promoting sustainable living, there is a provision of Rs. 35,000 crore for energy transition in this budget.
- Rs. 20,000 crore have been given for the Green Hydrogen Mission.

- India holds the fourth position in the world, in the field of solar energy.
- The recently-discovered lithium deposits in Jammu and Kashmir are also likely to open up new opportunities

The energy sector promises guaranteed success and must be leveraged by the youth and startups so that India can become self-sufficient and a net exporter nation of energy by 2047.

Startups in Defense and Space Sectors:

India's defence and space sector is a critical area of national importance, and the government has been actively promoting entrepreneurship in this field through various initiatives.

- **Defense India Startup Challenge (DISC)** aims to encourage startups to come up with innovative solutions to meet the requirements of the defence sector.
    o Under the DISC program, startups can get funding, mentoring, and other support from the government to develop their products and services.
- Launched the **Space Entrepreneurship and Enterprise Development (SEED)** program to support startups in the space sector.
    o Provides funding and other support to startups working on space-related technologies and applications.
- Established a **Defense Innovation Fund (DIF)** to provide funding and other support to startups working on innovative solutions in the defence sector.
    o Aims to promote research and development in critical technology areas such as artificial intelligence, robotics, and autonomous systems.

Several startups have already made significant progress in the defence and space sector in India.

- For instance, AgniKul Cosmos, a Chennai-based startup, is working on developing low-cost launch vehicles for small satellites.
- Another startup, Tonbo Imaging, is working on developing advanced imaging and sensing technologies for defence and security applications.

How Startups are Shaping the Future of Space Sector in India

With the government's focus on promoting private sector participation in space activities, startups have emerged as key players in the development of innovative technologies and services related to space exploration, satellite manufacturing, and space-based applications.

Some of the ways in which startups are shaping the future of the space sector in India are:
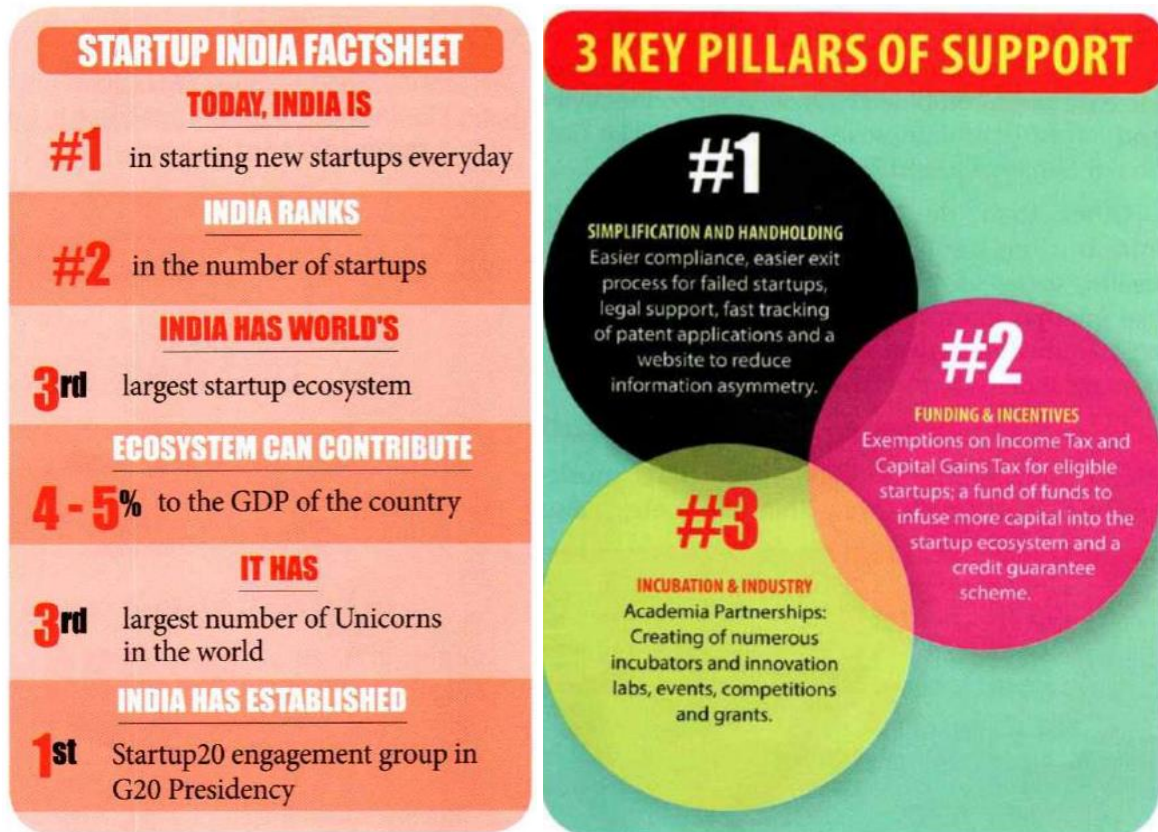
- **Driving innovation:** Startups are bringing new ideas and technologies to the space sector, which are helping to push the boundaries of what is possible in space exploration and space-based services.

- **Lowering costs:** Startups are able to operate with relatively low overhead costs, which allows them to develop and test new technologies and services at a lower cost compared to traditional players in the space sector.

- **Building capacity:** Startups are helping to build human capital and develop specialized skills in the space sector, which will be critical for the future growth and development of the industry.

- **Fostering collaboration:** Startups are collaborating with established players in the space sector, as well as other startups, to develop new products and services that can benefit the entire industry.

Some of measures for alignment with national priorities and strategic interests of India include:

- **Providing access to funding:** The government and other organizations can provide funding and resources to support the growth and development of startups in the space sector. This can include venture capital, grants, and other forms of financial support.

- **Offering regulatory support:** The government can establish supportive policies and regulations that enable the growth of startups in the space sector, while ensuring that they align with national priorities and strategic interests of India.

- **Encouraging collaboration:** Startups can benefit from working with established players in the space sector, as well as other startups. The government can play a role in fostering collaboration between these different entities, which can lead to the development of new products and services.

- **Promoting innovation:** The government can support innovation in the space sector by providing access to research and development facilities and promoting the development of new technologies and products.

- **Focusing on skills development:** The government can support skills development in the space sector by investing in education and training programs that are tailored to the needs of startups in the industry.

- **Encouraging entrepreneurship:** The government can support entrepreneurship in the space sector by providing mentoring and networking opportunities for startups, and by establishing programs that encourage entrepreneurship.

These measures can help to support and enable the growth of startups in the space sector in India, while ensuring that their activities align with national priorities and strategic interests. By providing the necessary support, resources, and regulatory environment, the government can help to build a thriving and innovative space industry in India.

STARTUP INDIA FACTSHEET

TODAY, INDIA IS

#1 in starting new startups everyday

INDIA RANKS

#2 in the number of startups

INDIA HAS WORLD'S

3rd largest startup ecosystem

ECOSYSTEM CAN CONTRIBUTE

4 - 5% to the GDP of the country

IT HAS

3rd largest number of Unicorns in the world

INDIA HAS ESTABLISHED

1st Startup20 engagement group in G20 Presidency

3 KEY PILLARS OF SUPPORT

#1

SIMPLIFICATION AND HANDHOLDING
Easier compliance, easier exit process for failed startups, legal support, fast tracking of patent applications and a website to reduce information asymmetry.

#2

FUNDING & INCENTIVES
Exemptions on Income Tax and Capital Gains Tax for eligible startups; a fund of funds to infuse more capital into the startup ecosystem and a credit guarantee scheme.

#3

INCUBATION & INDUSTRY
Academia Partnerships: Creating of numerous incubators and innovation labs, events, competitions and grants.

Picture: Yojana

India has established

5th	largest economy currently close to $3.5 trillion
$5	trillion economy by 2025-26
2/3rd	of Indian GDP is driven by domestic demand
1st	trillion in 63 years
2nd	trillion in 8 years
3rd	trillion in 5 years

Picture: Yojana

Challenges Faced by Start-up Ecosystem in India

India has a unique set of problems due to multicultural and multilingual regions that need innovations to find solutions to health, education, infrastructure, sanitation and for the population at the 'bottom-of-the-pyramid' space.

- **Financial resources:** Availability of finance is critical for startups and is always a problem to get sufficient amounts.

- **Supporting Infrastructure:** There are a number of support mechanisms that play a significant role in the lifecycle of startups which include incubators, science and technology parks, business development centers, etc. Lack of access to such support mechanisms increases the risk of failure.

- **Regulations:** Starting and exiting a business requires a number of permissions from government agencies. Although there is a perceptible change, registering a company and exiting it is still a challenge. Regulations pertaining to labor laws, intellectual property rights, dispute resolution etc. are rigorous in India and as per the World Bank report, "World Bank Ease of Doing Business", India ranks 137 out of 189 economies.

- **A tax break of three years has been given in the scheme.** Anyone who has business sense knows that only a few of start-ups will be profitable in the first three years and so this handful can avail themselves of the tax break.

Bureaucratic hurdles and corruption: for example, earlier Angel tax (now it has been removed) falls under corruption and bureaucratic inefficiencies as it takes the focus of entrepreneurs away from building a product or service to responding to tax notices and filing appeals, something that start-ups can clearly do without.

Revenue generation: Several startups fail due to poor revenue generation as the business grows. As the operations increase, expenses grow with reduced revenues forcing startups to concentrate on the funding aspect, thus, diluting the focus on the fundamentals of business.

Initiatives by Government:

There are numerous government initiatives to assist start-ups,

- **Startup India Action Plan:** An Action Plan for Startup India was unveiled on 16th January 2016. The Action Plan comprises of 19 action items spanning across areas such as "Simplification and handholding", "Funding support and incentives" and "Industry-academia partnership and incubation". The Action Plan laid the foundation of Government support, schemes and incentives envisaged to create a vibrant startup ecosystem in the country.

- **Fund of Funds for Startups (FFS) Scheme:** The Government has established FFS with corpus of Rs. 10,000 crore, to meet the funding needs of startups. DPIIT is the monitoring agency and Small Industries Development Bank of India (SIDBI) is the operating agency for FFS. The total corpus of Rs. 10,000 crore is envisaged to be provided over the 14th and 15th Finance Commission cycles based on progress of the scheme and availability of funds. It has not only

made capital available for startups at early stage, seed stage and growth stage but also played a catalytic role in terms of facilitating raising of domestic capital, reducing dependence on foreign capital and encouraging home grown and new venture capital funds.

- **Credit Guarantee Scheme for Startups (CGSS):** The Government has established the Credit Guarantee Scheme for Startups for providing credit guarantees to loans extended to DPIIT recognized startups by Scheduled Commercial Banks, Non-Banking Financial Companies (NBFCs) and Venture Debt Funds (VDFs) under SEBI registered Alternative Investment Funds. CGSS is aimed at providing credit guarantee up to a specified limit against loans extended by Member Institutions (MIs) to finance eligible borrowers viz. DPIIT recognised startups.

- **Regulatory Reforms**: Over 50 regulatory reforms have been undertaken by the Government since 2016 to enhance ease of doing business, ease of raising capital and reduce compliance burden for the startup ecosystem.

- **Ease of Procurement:** To enable ease of procurement, Central Ministries/ Departments are directed to relax conditions of prior turnover and prior experience in public procurement for all DPIIT recognised startups subject to meeting quality and technical specifications. Further, Government e-Marketplace (GeM) Startup Runway has been developed which is a dedicated corner for startups to sell products and services directly to the Government.

- **Support for Intellectual Property Protection:** Startups are eligible for fast-tracked patent application examination and disposal. The Government launched Start-ups Intellectual Property Protection (SIPP) which facilitates the startups to file applications for patents, designs and trademarks through registered facilitators in appropriate IP offices by paying only the statutory fees. Facilitators under this Scheme are responsible for providing general advisory on diff-erent IPRs, and information on protecting and promoting IPRs in other countries. The Government bears the entire fees of the facilitators for any number of patents, trademark or designs, and startups only bear the cost of the statutory fees payable. Startups are provided with an 80% rebate in filing of patents and 50% rebate in filling of trademark vis-a-vis other companies.

- **Self-Certification under Labour and Environmental laws:** Startups are allowed to self-certify their compliance under 9 Labour and 3 Environment laws for a period of 3 to 5 years from the date of incorporation.

- **Income Tax Exemption for 3 years:** Startups incorporated on or after 1st April 2016 can apply for income tax exemption. The recognized startups that are granted an Inter-Ministerial Board Certificate are exempted from income-tax for a period of 3 consecutive years out of 10 years since incorporation.

- **International Market Access to Indian Startups:** One of the key objectives under the Startup India initiative is to help connect Indian startup ecosystem to global startup ecosystems through various engagement models. This has been done though international Government to Government partnerships, participation in international forums and hosting of global events. Startup India has launched bridges with over 15 countries that provides a soft-

landing platform for startups from the partner nations and aid in promoting cross collaboration.

- **Faster Exit for Startups:** The Government has notified Startups as 'fast track firms' enabling them to wind up operations within 90 days vis-a-vis 180 days for other companies.

- **Startup India Hub:** The Government launched a Startup India Online Hub on 19th June 2017 which is one of its kind online platform for all stakeholders of the entrepreneurial ecosystem in India to discover, connect and engage with each other. The Online Hub hosts Startups, Investors, Funds, Mentors, Academic Institutions, Incubators, Accelerators, Corporates, Government Bodies and more.

- **Exemption for the Purpose Of Clause (VII)(b) of Sub-section (2) of Section 56 of the Act (2019):** A DPIIT recognized startup is eligible for exemption from the provisions of section 56(2)(viib) of the Income Tax Act.

- **Startup India Showcase:** Startup India Showcase is an online discovery platform for the most promising startups of the country chosen through various programs for startups exhibited in a form of virtual profiles. The startups showcased on the platform have distinctly emerged as the best in their fields. These innovations span across various cutting-edge sectors such as Fintech, EntrepriseTech, Social Impact, HealthTech, EdTech, among others. These startups are solving critical problems and have shown exceptional innovation in their respective sectors. Ecosystem stakeholders have nurtured and supported these startups, thereby validating their presence on this platform.

- **National Startup Advisory Council:** The Government in January 2020 notified constitution of the National Startup Advisory Council to advise the Government on measures needed to build a strong ecosystem for nurturing innovation and startups in the country to drive sustainable economic growth and generate large scale employment opportunities. Besides the ex-officio members, the council has a number of non-official members, representing various stakeholders from the startup ecosystem.

- **Startup India:** The Way Ahead: Startup India: The Way Ahead at 5 years celebration of Startup India was unveiled on 16th January 2021 which includes actionable plans for promotion of ease of doing business for startups, greater role of technology in executing various reforms, building capacities of stakeholders and enabling a digital Aatmanirbhar Bharat.

- **Startup India Seed Fund Scheme (SISFS):** Easy availability of capital is essential for entrepreneurs at the early stages of growth of an enterprise. The capital required at this stage often presents a make-or-break situation for startups with good business ideas. The Scheme aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization. Rs. 945 crore has been sanctioned under the SISFS Scheme for period of 4 years starting from 2021-22.

- **National Startup Awards (NSA):** National Startup Awards is an initiative to recognize and reward outstanding startups and ecosystem enablers that are building innovative products

or solutions and scalable enterprises, with high potential of employment generation or wealth creation, demonstrating measurable social impact. Handholding support is provided to all the finalists across various tracks viz. Investor Connect, Mentorship, Corporate Connect, Govt. Connect, International Market Access, Regulatory Support, Startup Champions on Doordarshan and Startup India Showcase, etc.

- **States' Startup Ranking Framework (SRF):** States' Startup Ranking Framework is a unique initiative to harness strength of competitive federalism and create a flourishing startup ecosystem in the country. The major objectives of the ranking exercise are facilitating states to identify, learn and replace good practices, highlighting the policy intervention by states for promoting startup ecosystem and fostering competitiveness among states.

- **Startup Champions on Doordarshan:** Startup Champions program on Doordarshan is a one-hour weekly program covering stories of award winning/ nationally recognised startups. It is telecasted in both Hindi and English across Doordarshan network channels.

- **Startup India Innovation Week:** The Government organises Startup India Innovation week around the National Startup Day i.e. 16th January, with the primary goal was to bring together the country's key startups, entrepreneurs, investors, incubators, funding entities, banks, policymakers, and other national/international stakeholders to celebrate entrepreneurship and promote innovation.

- **TIDE 2.0 Scheme:** Technology Incubation and Development of Entrepreneurs (TIDE 2.0) Scheme was initiated by Ministry of Electronics and Information Technology (MeitY) in the year 2019 to promote tech entrepreneurship through financial and technical support to incubators engaged in supporting ICT startups using emerging technologies such as IoT, AI, Block-chain, Robotics etc. The Scheme is being implemented through 51 incubators through a three-tiered structure with an overarching objective to promote incubation activities at institutes of higher learning and premier R&D organisations.

- **Domain-specific Centres of Excellence:** MeitY has operationalised 26 Centres of Excellence (CoEs) in diverse areas of national interest for driving self-sufficiency and creating capabilities to capture new and emerging technology areas. These domain-specific CoEs act as enablers and aid in making India an innovation hub in emerging through democratisation of innovation and realisation of prototypes.

- **SAMRIDH Scheme:** MeitY has launched the 'Start-up Accelerator Programme of MeitY for Product Innovation, Development and Growth (SAMRIDH)' with an aim to support existing and upcoming Accelerators to further select and accelerate potential software product based startups to scale.

- **Next Generation Incubation Scheme (NGIS):** NGIS has been approved to support software product ecosystem and to address a significant portion of National Policy on Software Product (NPSP) 2019.

- **Biotechnology Industry Research Assistance Council (BIRAC):** An industry-academia interface agency of Department of Biotechnology, Ministry of Science & Technology is

supporting biotech startups in all biotech sectors including clean energy and emerging technologies. Project based funding is provided to startups and companies for product/technology development under its's key Schemes including Biotech Ignition Grant (BIG), Small Business Innovation Research Initiative (SBIRI) and Biotechnology Industry Partnership Programme (BIPP). Incubation support to the startups and companies is also provided through Bioincubators Nurturing Entrepreneurship for Scaling Technologies (BioNEST) Scheme.

Key Statistics:

- Sustained Government efforts in this direction have resulted in increasing the number of recognised startups in India from 442 in 2016 to 92,683 in 2023 (as on 28th February 2023).
- More than 4,000 recognised startups are engaged in sectors relating to emerging technologies such as Internet of Things (IoT), robotics, artificial intelligence, analytics, etc.

Limitation

- Schemes' definition of start-ups (driven by technology or intellectual property) prevents others from availing the incentives.

- Tax exemption is subjected to inter-ministerial board.

- The labour laws can be abused as they wouldn't be inspected for the next 3 years.

- Some provisions seem vague calling attention towards more clarity.

Conclusion

The current economic scenario in India is on expansion mode. The Indian government's liberal policies like Make in India, Digital India, MUDRA etc .shows enthusiasm of centre to increase the GDP rate of growth from grass root levels. With government going full hog on developing entrepreneurs, it could arrest brain drain. It is not out of place to mention that some of these startups would become unicorns and may become world renowned businesses by expanding into other developing and underdeveloped countries.

Agri-Startups: Challenges and Opportunities

Agri-startups are poised to play a critical role in making India a knowledge-based and technology-driven economy. Due to a very unique agricultural ecosystem, there is vast potential (largely untapped) and ample opportunities for the development of agri-startups.

India's arable land area of 156.06 million hectares (2019) is the world's second-largest after the United States. Our country has an incredible diversity of climate and soil types (15 agro-climatic zones, 8 major soil types), making it suitable for growing a wide range of field crops, fruits, vegetables, and so on.

India is currently the world's

- Largest producer of milk, pulses, millets, and jute
- Second largest producer of rice, wheat, and fruits and vegetables.
- Leading exporter of agricultural and livestock products

However, the agricultural sector is also facing several complex problems and challenges.

- The shrinking size of operational small landholdings raise transaction costs, making it difficult to adapt several modern technologies.
- It also becomes difficult to use input: and natural resources efficiently.
- Lack of easy access to timely information about soil, weather, markets, advisories, and other topics
- In general, such issues result in higher costs of cultivation, wastage of resources, crop losses and a smaller scale of production.

Agri-startups strive to provide solutions through innovations, technology interventions or business models specific to the need of farmers mostly on a real-time basis. As a result of the Government of India's ongoing efforts our country now has 3,000 agri-startups operating in various agricultural fields and allied sectors.

Startups in Agri

In January 2016, the Government of India unveiled a 19-point 'Startup India Action Plan, which resulted in the implementation of several policy/ promotion initiatives aimed at creating a robust ecosystem for nurturing startups and innovations.

- In terms of geographical distribution, nearly 60% of agri-startups are based primarily in Tier I and II cities in a few states.
- Agri-startups are further classified based on their focus areas, such as agri-tech, animal husbandry, precision farming, organic agriculture, mechanics, advisories, etc.
- Agri startups typically operate at one or more stages of the agricultural value chain, and on this basis have been classified into seven broad categories:
  - Providing output market linkages
  - Facilitating input supply
  - Enabling mechanization and irrigation
  - Offering a financial solution (credit and insurance)
  - Helping with quality maintenance and traceability
  - Post-harvest management
  - Logistic services (warehousing and cold chains)
  - Supporting animal husbandry activities.
- These startups provide solutions to farmers by utilizing various types of innovations and technologies. They create products and/or services to improve efficiency at various stages of the value chain, such as infrastructure farm automation, precision agriculture, input delivery, advisory market linkages, and so on.

- In recent years, some notable business models in the agricultural space have emerged, including the 'farm to fork' supply chain model, IoT (Internet of Things) or big data-led innovation model, and the upstream market place model.

Agri-startups are mainly formed to solve complex problems in the value chain through innovations or technological interventions.

Policies and Promotions

- **The Agri-Business Incubator (ABIs Centers)** were established in various parts of the country, primarily in R&D institutions, in 2015-16
  - ABIs identify and mobilise emerging entrepreneurs facilitating their growth through a variety of services including shared facilities (workspaces infrastructure, etc.) and equipment, business development, technology, finance, mentoring and networking.
- In 2019-20, the Department of Agriculture, Cooperation, and Farmers Welfare has added a new component called the 'Innovation and Agri-Entrepreneurship Department' to its flagship scheme, the 'Rashtriya Krishi Vikas Yojana' (RKVY-RAFTAAR).
  - Under this programme, a selected startup is eligible for a maximum financial assistance of Rs. 5 lakh at idea/ pre-seed stage and a maximum financial assistance of Rs. 25 lakh at the seed stage.
  - Over 1,100 agri-startups have been selected and supported by the programme so far for projects in agriculture and allied sectors such as agro-processing, food technology, AI, IoT, precision agriculture, digital farming, and so on.
- To further support and promote agri-startups, the Ministry of Agriculture and Farmers Welfare hosts an annual event called **'Agri-Hackathon'**, where agri-startups can provide viable and innovative solutions to identified challenges and problems.
- As the apex body of agricultural R&D, ICAR has taken the lead by establishing **50 Agri-Business incubators** in institutes across the country.
- ICAR--ABIs, which were launched under the National Agriculture Innovation Fund project (2016-17), provide technical support and incubation services to startups providing solutions in various fields of agriculture and allied sectors.
- The Department of Science and Technology has set up **25 Technology Innovation Hubs (TIH)** in premier institutes of national importance across the country.
- Since 2016, the DST has been implementing an umbrella programme called **NIDHI (National Initiative for Developing and Harnessing Innovations)** to promote S&T-based entrepreneurship and startup ecosystems in the country.
  - NIDHI operates through its various components which are designed to support ideators and innovators from the beginning of their journey and link them to the entire market value chain.
  - For example, NIDHI-PRAYAS provides technical and financial support to innovators and startups from the idea stage to the prototype stage.

Recent policies for Agri-Startups

- o Engagement of agri-tech startups and companies in public-private partnerships was announced for the Union Budget 2022-23 to deliver the latest technology education to farmers and aid in implementation.
    - o Other policies and government-sponsored funds for agri-tech startups in drones and farming as a service were also announced.
- o NABARD is facilitating a fund with blended capital raised through a co-investment model to finance agri-tech startups and rural farming enterprises. This scheme provides funding to startups that support food producer organisations, farm rental services, and technology incorporation.
- o The Government announced an agricultural-focused accelerator fund in the current Budget (2023-24) to encourage agri-tech startups in rural areas of the country.
    - o The Fund is aimed at building innovative and effective agri-tech solutions for farmers so as to improve access to market linkages and yields. It will also introduce cutting-edge technology to transform agricultural practices and boost productivity and profitability.
- o According to the Economic Survey (2022-23), agri-tech startups have raised approximately Rs. 6600 crore from private equity investors over the last four years, representing a growth rate of more than 50% per year.

Women Entrepreneurship in MSME Sector

The Government of India has ensured that all policy initiatives are geared towards enabling equal opportunity for women, recognizing the importance of women's entrepreneurship and economic participation in enabling the country's growth and prosperity.

- The government seeks to bring women to the forefront of India's entrepreneurial ecosystem by providing access to loans, networks, markets and training.
- The MSME sector offers multiple opportunities to empower women by promoting entrepreneurship among women and plays a crucial role in the process of economic and social development through value addition, employment generation, equitable distribution of income, and removal of regional disparities.

According to the Registrar General of India

- The work participation rate for women stands at 25 percent which is one of the lowest in the world.
- Emerging reports show a growing decline in women's participation in the workforce.
- Frequent reports indicate a lack of safe and quality childcare support a major contributing reason for this decline.
- In addition to this, there is a lack of infrastructural facilities for women at workplaces e,g. proper crèche facilities and their maintenance with decent infrastructure and other resources needed for the same.

- The Report of the Expert Committee on Micro, Small and Medium Enterprises (2019), constituted by the Reserve Bank of India, has identified a lack of access to credit as one of the major constraints faced by the MSME Sector.
- A 2022 report by the International Finance Corporation (IFC) has identified the lack of access to credit as an important constraint being faced by women entrepreneurs in India.

Women in MSME Sector:

- Women-owned enterprises account for approximately 18.67% of the total MSMEs registered on the Udyam Registration Portal, over the last three years.

- Similarly, the share of women employed by the MSMEs registered on the Udyam portal, in around two and a half years, is 23.59% out of the total employment by the MSME registered units during this period.

- The Ministry of MSME is continuously making efforts to encourage women's empowerment through various interventions.

    o The **Public Procurement Policy for Micro and Small Entrepreneurs Order, 2012** (as amended in 2018), mandates that 3% of the total annual procurement by Central Ministries/ Departments/CPSEs shall be from women-led Micro and Small Enterprises (MSEs).

    o The Ministry has launched the **National Scheduled Caste Scheduled Tribe Hub**, to promote inclusivity and entrepreneurship.

    o Under the **Prime Minister's Employment Generation Programme (PMEGP)**, 2.59 lakh women entrepreneurs out of a total 8.37 lakh entrepreneurs have been provided credit support with the subsidy for setting up new micro-enterprises, thereby generating employment opportunities, primarily in rural areas.

    o Under Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE), a concession of 10% in guarantee fee (over the normal rate) and enhanced guarantee coverage of 85% (against 75% in other cases) have been introduced in respect of loans given to women entrepreneurs.

- Khadi and Village Industries Commission (KV1C), has engaged 3.99 lakh women artisans (80%), out of a total of 4.97 lakh artisans in the country, under its Khadi Programme.

    o In addition, KVIC, through its various skill development training programmes in disciplines like – Beekeeping, Pottery, Leather Goods, Fruits and Vegetable Processing, Bakery courses, Tailoring and Embroidery, Soap and Detergent making, Beautician course, etc., has been skilling women across the country.

    o During the last six years, a total of 1.81 lakh women have been skilled through these programmes.

- In the coastal states of the country, Coir Board, under different schemes, imparts training to women workers on manufacturing quality coir products, thereby creating employment opportunities.

Credit Facilitation:

- **Initiatives for women-led enterprises:** Under the Credit Guarantee Scheme Fund Trust for Micro & Small Enterprises (CGTMSE), to support Women Entrepreneurs, with effect from 1 December 2022, the concession of 10% in guarantee fee (over the normal rate) and enhanced guarantee coverage of 85% (against 75% in other cases) has been introduced in respect of loans given to women entrepreneurs.

- Through the **Credit Guarantee Scheme** for Micro & Small Enterprises, since its inception in 2000, an amount of Rs. 53,080 crore has been guaranteed in respect of loans availed by 13.29 lakh accounts of women-led MSMEs.

- **Artisan-Based Cluster Development:** Under the Scheme of Fund for Regeneration of Traditional Industries (SFURTI), a special focus has been given to providing sustainable livelihood to artisans through the formation of manufacturing collectives in the traditional sector.

- Apart from the above, Schemes of other Ministries, like **Pradhan Mantri Mudra Yojana (PMMY) and Stand Up India**, etc., help women set up their own enterprises. The Pradhan Mantri Kaushal Vikas Yojana provides opportunities for training and capacity building of prospective/existing women entrepreneurs.

Udyam Sakhi Portal

- Launched in 2018 to provide information regarding the financial schemes, policies and programmes of the Ministry of Micro, Small and Medium Enterprises (MSME) to existing and prospective women entrepreneurs.
- The portal helps women to start, build and grow their businesses.
- A total of 4207 women have so far registered on the portal, out of which 943 women belong to the State of Bihar.

SAMARTH

- Through this initiative, the Ministry is focusing on providing Skill Development and Market Development Assistance to women

- Under the Samarth initiative, 20% seats in free Skill Development Programs organized under skill development schemes of the Ministry will be allocated for Women.

- More than 7,500 women will be benefitted.

- 20% of MSME Business Delegations sent to domestic and international exhibitions under the schemes for Marketing Assistance will be dedicated to women owned MSMEs.

- The ministry is also continuously making efforts to develop entrepreneurship culture among women by offering several additional benefits for women in various schemes implemented by the Ministry.

STARTUP BASICS

Startups are in vogue and define the times we live in. Here are some of the key terms that we often come across in our daily lives, simplified for a quick read.

What is a Startup?

A startup is an early-stage entrepreneurial venture that is typically formed to solve real-world problems. Because many startups address societal needs, they attract investors and funders due to their tremendous growth potential.

What is the Startup India Scheme?

Startup India is a flagship initiative of the Government of India, intended to catalyse startup culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India. Since the launch of the initiative on 16 January 2016, Startup India has rolled out several programs with the objective of supporting entrepreneurs, and transforming India into a country of job creators instead of job seekers.

What is Unicorn?

The term 'Unicorn' refers to the rarest of the rare startups that become Unicorns attaining a valuation of more than USD 1 billion.

What is Seed Funding?

Seed funding is the first official equity funding stage. It typically represents the first official money that a business venture or enterprise raises. The Startup India Seed Fund Scheme has been approved for the period of 4 years starting from 2021-22. The Scheme aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market-entry, and

#startupindia
Onboarding Benefits

- Startups can self-certify compliance with 6 labor and 3 environmental laws online.
- No labor law inspections for 5 years. Startups can only be inspected with a written, credible, and senior-approved complaint of violation.
- Startups in the "white category" (defined by the Central Pollution Control Board) can self-certify compliance with environmental laws and only undergo random checks.

commercialisation. It has been implemented with effect from 1 April 2021.

What is an Incubator?

Incubators play a vital role in the growth of startups. They provide the necessary resources such as infrastructure, mentorship, and financial support to nurture and support the innovation of startups. India has 400+ Incubators with most of them at the nascent stage.

What is a Pitch?

A pitch is a brief presentation or introduction to a prospective investor about the startup. The goal of a pitch is not to answer every possible question about the startup, but rather to engage an investor's interest in learning more about it.

Who are Angel Investors?

'Angel investor' means any person or entity who proposes to invest in an angel fund and satisfies one of the following conditions, namely,

a. An individual investor who has net tangible assets of at least two crore rupees excluding value of his principal residence (among other criterions);

b. A body corporate with a net worth of at least ten crore rupees; or

c. An AIF registered under these regulations or a VCF registered under the SEBI (Venture Capital Funds) Regulations, 1996.

Source : Startup India, PIB

Startups-Reaching Last Mile

Entrepreneurship and innovation are essential drivers of economic growth and development. India, like many other countries, has recognized the importance of promoting entrepreneurship and innovation, and has taken several initiatives in this direction. The Startup India initiative has three main components: simplification and handholding, funding support and incentives, and industry-academia partnership and incubation.

- Under the **simplification and handholding component**, the government has simplified the process of starting a business in India by reducing the time and cost required to start a business. The government has also launched an online portal for startups.

- The **funding support and incentives component** provides various incentives for startups, including tax benefits, patent registration, and funding support.
- The **industry-academia partnership and incubation component** focuses on creating a network of incubators and accelerators across the country, which can provide mentoring, networking, and funding support to startups.

Impact on the Indian Economy:

- According to a report by the National Association of Software and Services Companies (NASSCOM), the Indian startup ecosystem is expected to create over 500,000 new jobs by 2025.

- The initiative has also attracted significant foreign investment, with the total funding raised by Indian startups increasing from $3.9 billion in 2014 to $14.5 billion in 2019.

- According to the Global Innovation Index, India's rank in innovation has improved from 81st in 2015 to 48th in 2021.

The Startup India initiative has had a significant impact on the Indian economy, particularly in terms of job creation and economic growth. The initiative has also encouraged the growth of innovation and entrepreneurship in India. The initiative has also encouraged the growth of startups in various sectors, including technology, healthcare, and agriculture.

Incubators-The Growth enablers

Incubators are organisations that **provide resources and support to startups** to help them grow and succeed.

- They provide access to office space, mentorship, funding, and other resources that startups need to develop their ideas into successful businesses.

- Incubators are usually run by universities, governments, or private organisations and provide a range of services to startups.

Role of Incubators in Promoting the Startup Ecosystem in India:

- Support innovation by providing startups with the resources they need to develop innovative solutions. This helps to create a culture of innovation in the country.

- Help startups to grow and expand, which in turn creates more job opportunities in the country.

- Help startups to attract investment from angel investors, venture capitalists, and other sources. This investment not only helps startups to grow, but also attracts more investment to the country, which further promotes the startup ecosystem.

- Provide startups with the opportunity to collaborate with each other, as well as with mentors and investors. This collaboration can lead to partnerships and joint ventures, which can help startups to grow and expand their reach.

- Many incubators in India focus on supporting social entrepreneurship, which involves using business solutions to address social problems. These incubators provide startups with the resources they need to develop sustainable and impactful solutions to social problems.
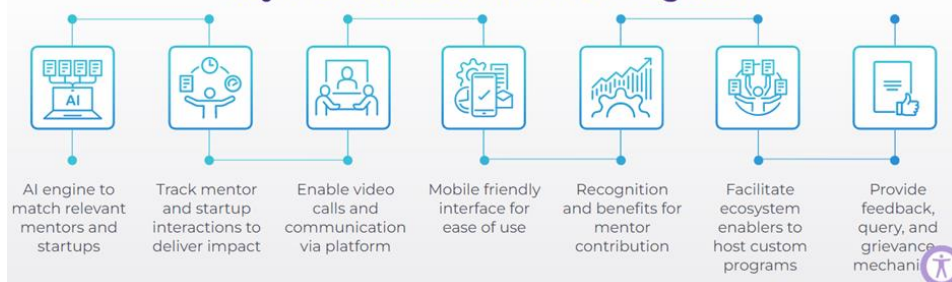
Examples of Incubators for Startups in India:

1. **T-Hub:** A startup incubator based in Hyderabad, India, provides startups with access to office space, mentorship, funding, and other resources. Focuses on startups in the areas of technology, healthcare, and social impact.

2. **Startup Village:** A startup incubator based in Kochi, India; focuses on startups in the areas of technology, healthcare, and agriculture.

3. **IIM Bangalore NSRCEL:** A startup incubator based in Bangalore, Karnataka, focuses on startups in the areas of social impact, healthcare, and sustainability.

4. **Zone Startups India:** A startup incubator based in Mumbai, India, focuses on startups in the areas of technology, healthcare, and fintech.

MAARG Portal:

- National Mentorship Platform by Startup India.

- By the Department for Promotion of Industry and Internal Trade (DPIIT), under the Ministry of Commerce and Industry.

- A one-stop platform to facilitate mentorship for startups across diverse sectors, functions, stages, geographies, and backgrounds.

- *Objectives:*

  o To provide sector-focused guidance, handholding, and support to start-ups throughout their lifecycle.

  o To establish a formalised and structured platform that facilitates intelligent matchmaking between the mentors and their respective mentees.

  o To facilitate efficient and expert mentorship for start-ups and build an outcome-oriented mechanism that allows timely tracking of mentor-mentee engagements.

Key Functions of MAARG Program

AI engine to match relevant mentors and startups | Track mentor and startup interactions to deliver impact | Enable video calls and communication via platform | Mobile friendly interface for ease of use | Recognition and benefits for mentor contribution | Facilitate ecosystem enablers to host custom programs | Provide feedback, query, and grievance mechanism

PANCHAYATI RAJ IN INDIA

Panchayati Raj Institutions are the pillars of democracy.

- The Panchayati Raj system of local self-government was introduced by the **73rd Amendment of the Constitution of India.**
- **Part IX** was inserted in the Constitution as a sequel to the **73rd Constitutional Amendment in 1993**, bestowing the **Constitutional mandatory status** to the 'Panchayats'.
- The **Cholas** were the pioneers in the formation of local bodies as part of a well-organized hierarchy to oversee the implementation of progressive plans.
- Panchayat, being "Local Government", is a **State subject** and part of State list of Seventh Schedule of Constitution of India. Accordingly, the Panchayats are set up and operate through the respective State Panchayati Raj Acts.

- **National Panchayati Raj Day:** 24th April

- *According to the seventh schedule, local government is a State subject.*

    o **Article 243 of Part IX** of the Constitution, which contains provisions dealing with Panchayat, does not differentiate amongst persons on the basis of their sex.

    o Under Article 243D of the constitution, provisions have been made for the reservation of Scheduled Castes, Scheduled Tribes and Women. Legislatures of States have also been empowered to make provision for reservation of seats in any Panchayat or offices of Chairpersons in the Panchayats at any level in favour of backward class of citizens in terms of clause (6) of Article 243D of the constitution.

- Transgenders belonging to these categories are accordingly eligible to participate in the decision-making process of Panchayats.

- **eGramSwaraj** is a user-friendly web-based portal, which aims to bring in better transparency in the decentralised planning, progress reporting, financial management, work-based accounting and details of assets created.

- For ensuring timely audit of Panchayat accounts i.e. receipts and expenditures of Gram Panchayats, MoPR has rolled out an online application – **AuditOnline**. This application not only facilitates the auditing of Panchayat accounts but also provides for maintaining of audit records. This application streamlines the process for audit inquiries, draft local audit reports, draft audit paras etc., and thus ensures proper maintenance of accounts by Panchayats to improve transparency and accountability.

Local Bodies – Importance

- **Voices of People heard:** Panchayati raj ensures that the voices of the people are heard loud and clear. "The voice of the people is the voice of god; The voice of the Panchayat is the voice of the people," is the quote attributed to Mohandas Karamchand Gandhi.

- **Good Governance:** Seamless administration is impossible without power sharing.

- **Inclusive Governance:** To ensure that even the last man sitting in a remote corner of the last row should have access to benefits.

- **Participative Governance:** Every grama sabha meeting ensures the equal right to highlight the issues that disrupt life. Active participation of the people in governance.

- **Transparency & Accountability:** Elected members of the Panchayat are obliged to read out the financial statements and balance sheet to ensure transparency.

The constitutional status of Panchayati Raj institutions

Lord Mayo's Resolution of 1870 on financial decentralisation visualised the development of local self-government institutions. **Lord Ripon's** Resolution of 1882 has been hailed as the 'Magna Carta' of local self-government. He is called as the **father of local-self government** in India.

A. Balwant Rai Mehta Committee – Establishment of Democratic Decentralisation
In January 1957, the Government of India appointed a committee to examine the working of the Community Development Programme (1952) and the National Extension Service (1953) and to suggest measures for their better working. The chairman of this committee was Balwant Rai G Mehta. The committee submitted its report in November 1957 and recommended the establishment of the scheme of 'democratic decentralisation', which ultimately came to be known as Panchayati Raj. The specific recommendations made by it are:
1. Establishment of a three-tier panchayati raj system—gram panchayat at the village level, panchayat samiti at the block level and zila parishad at the district level. These tiers should be organically linked through a device of indirect elections.

2. The village panchayat should be constituted with directly elected representatives, whereas the panchayat samiti and zila parishad should be constituted with indirectly elected members.
3. All planning and development activities should be entrusted to these bodies.
4. The panchayat samiti should be the executive body while the zila parishad should be the advisory, coordinating and supervisory body.
5. The district collector should be the chairman of the zila parishad.
6. There should be a genuine transfer of power and responsibility to these democratice bodies.
7. Adequate resources should be transferred to these bodies to enable them to discharge their

These recommendations of the committee were accepted by the National Development Council in January 1958. The council did not insist on a single rigid pattern and left it to the states to evolve their own patterns suitable to local conditions. But the basic principles and broad fundamentals should be identical throughout the country.

Rajasthan was the first state to establish Panchayati Raj. Rajasthan was followed by Andhra Pradesh, which also adopted the system in 1959.

B. L M Singhvi Committee – Revitalisation of Panchayati Raj Institutions for Democracy and Development

In 1986, Rajiv Gandhi government appointed a committee on 'Revitalisation of Panchayati Raj Institutions for Democracy and Development' under the chairmanship of L M Singhvi. It made the following recommendations.

1. The Panchayati Raj institutions should be constitutionally recognised, protected and preserved. For this purpose, a new chapter should be added in the Constitution of India. This will make their identity and integrity reasonably and substantially inviolate. It also suggested constitutional provisions to ensure regular, free and fair elections to the Panchayati Raj bodies.
2. Nyaya Panchayats should be established for a cluster of villages.
3. The villages should be reorganised to make Gram Panchayats more viable. It also emphasised the importance of the Gram Sabha and called it as the embodiment of direct democracy.
4. The Village Panchayats should have more financial resources.
5. The judicial tribunals should be established in each state to adjudicate controversies about election to the Panchayati Raj institutions, their dissolution and other matters related to their functioning.

73rd Amendment Act Of 1992

This act has added a new **Part-IX** to the Constitution of India. It is entitled as '**The Panchayats' and consists of provisions from Articles 243 to 243 O**.

- In addition, the act has also added a **new Eleventh Schedule** to the Constitution. This schedule contains 29 functional items of the panchayats. It deals with Article 243-G.

- The act has given a practical shape to **Article 40** of the Constitution which says that, "*The State shall take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government.*"
- This article forms a part of the **Directive Principles of State Policy (Gandhian Principles)** and gives a constitutional status to the Panchayati raj institutions. It has brought them under the purview of the justiciable part of the Constitution. In other words, the state governments are under constitutional obligation to adopt the new Panchayati raj system in accordance with the provisions of the act. Consequently, neither the formation of panchayats nor the holding of elections at regular intervals depends on the will of the state government any more.

Compulsory Provisions

1. Organisation of Gram Sabha in a village or group of villages.
2. Establishment of panchayats at the village, intermediate and district levels.
3. Direct elections to all seats in panchayats at the village, intermediate and district levels.
4. Indirect elections to the post of chairperson of panchayats at the intermediate and district levels.
5. 21 years to be the minimum age for contesting elections to panchayats.
6. Reservation of seats (both members and chairpersons) for SCs and STs in panchayats at all the three levels.
7. Reservation of one-third seats (both members and chairpersons) for women in panchayats at all the three levels.
8. Fixing tenure of five years for panchayats at all levels and holding fresh elections within six months in the event of supersession of any panchayat.
9. Establishment of a State Election Commission for conducting elections to the panchayats.
10. Constitution of a State Finance Commission after every five years to review the financial position of the panchayats.

Voluntary Provisions

1. Giving representation to members of the Parliament (both the Houses) and the state legislature (both the Houses) in the panchayats at different levels falling within their constituencies
2. Providing reservation of seats (both members and chairpersons) for backward classes in panchayats at any level.
3. Granting powers and authority to the panchayats to enable them to function as institutions of self-government (in brief, making them autonomous bodies).
4. Devolution of powers and responsibilities upon panchayats to prepare plans for economic development and social justice; and to perform some or all of the 29 functions listed in the Eleventh Schedule of the Constitution.
5. Granting financial powers to the pachayats, that is, authorizing them to levy, collect and appropriate taxes, duties, tolls and fees.

NOTE:

A. Gram Sabha: The act provides for a Gram Sabha as the foundation of the Panchayati raj system. It is a body consisting of persons registered in the electoral rolls of a village comprised within the area

of Panchayat at the village level. Thus, it is a village assembly consisting of all the registered voters in the area of a panchayat. It may exercise such powers and perform such functions at the village level as the legislature of a state determines.

B. Three-Tier System: The act provides for a three-tier system of Panchayati raj in every state, that is, panchayats at the village, intermediate, and district levels. Thus, the act brings about uniformity in the structure of Panchayati raj throughout the country. However, a state having a population not exceeding 20 lakh may not constitute panchayats at the intermediate level.

C. Election of Members and Chairpersons - All the members of panchayats at the village, intermediate and district levels shall be elected directly by the people. Further, the chairperson of panchayats at the intermediate and district levels shall be elected indirectly—by and from amongst the elected members thereof. However, the chairperson of a panchayat at the village level shall be elected in such manner as the state legislature determines.

D. Duration of Panchayat: Every Panchayat shall continue for five years from the date of its first meeting. But it can be dissolved earlier in accordance with the procedure prescribed by State Law. Elections must take place before the expiry of the above period. In case it is dissolved earlier, then the elections must take place within six months of its dissolution. A Panchayat reconstituted after premature dissolution (i.e., before the expiry of the full period of five years) shall continue only for the remainder of the period. But if the remainder of the period is less than six months it shall not be necessary to hold elections.

E. Disqualifications - A person shall be disqualified for being chosen as or for being a member of panchayat if he is so disqualified, (a) under any law for the time being in force for the purpose of elections to the legislature of the state concerned, or (b) under any law made by the state legislature. However, no person shall be disqualified on the ground that he is less than 25 years of age if he has attained the age of 21 years. Further, all questions of disqualifications shall be referred to such authority as the state legislature determines.

F. Article 243 K- State Election Commission- The super-intendancy, direction and control of the preparation of electoral rolls and the conduct of all elections to the panchayats shall be vested in the state election commission. It consists of a state election commissioner to be appointed by the governor. His conditions of service and tenure of office shall also be determined by the governor. He shall not be removed from the office except in the manner and on the grounds prescribed for the removal of a judge of the state high court. His conditions of service shall not be varied to his disadvantage after his appointment.

Challenges behind Half-hearted Devolution of Powers

- The grey area is the **lack of adequate funds**. There is a need to enlarge the domain of panchayats to be able to raise their own funds.
- The **interference of area MPs and MLAs in the functioning** of panchayats also adversely affected their performance.
- The 73rd amendment only mandated the creation of local self-governing bodies, and **left the decision to delegate powers, functions, and finances** to the state legislatures, therein lies the failure of PRIs.
    - **The transfer of various governance functions**—like the provision of education, health, sanitation, and water was not mandated. Instead the amendment listed the functions that could be transferred, and left it to the state legislature to actually devolve functions.
    - There has been very **little devolution of authority and functions** in the last 26 years.
    - Because these functions were never devolved, state executive authorities have proliferated to carry out these functions. The most common example is the terrible state water boards.
- The major failure of the Amendment is the **lack of finances for PRIs**. Local governments can either raise their own revenue through local taxes or receive intergovernmental transfers.
    - The power to tax, even for subjects falling within the purview of PRIs, has to be specifically authorised by the state legislature.
    - The 73rd Amendment let this be a choice open to the state legislatures—a choice that most states have not exercised.
    - A second avenue of revenue generation is intergovernmental transfers, where state governments devolve a certain percentage of their revenue to PRIs. The constitutional amendment created provisions for State Finance Commissions to recommend the revenue share between state and local governments. However, these are merely recommendations and the state governments are not bound by them.
    - Though finance commissions, at every level, have advocated for greater devolution of funds, there has been little action by states to devolve funds.
    - PRIs are reluctant to take on projects that require any meaningful financial outlay, and are often unable to solve even the most basic local governance needs.
- PRIs also suffer from **structural deficiencies** i.e. no secretarial support and lower levels of technical knowledge which restricted the aggregation of bottom up planning .
    - There is a **presence of adhocism** i.e. lack of clear setting of agenda in gram sabha, gram samiti meetings and no proper structure.
    - **Accountability arrangements** remain very weak even after 26 years of PRIs constitutional arrangement.
    - The issue of **ambiguity in the division of functions and funds** has allowed concentration of powers with the states and thereby restraining the elective representatives who are more aware and sensitive to the ground level issues to take control.
- **Tokenism**
    - Panchayats have not been granted enough powers for revenue generation. As a result, they only have limited functional autonomy. Even after 25 years of constitutional backing, the PRIs are able generated only 5 percent of their revenue.
    - Elections are not held regularly. For example, in Tamil Nadu elections were not held for 3 years after the term ended.

- Devolution of power which is imperative for socio-economic development has not been addressed properly.
- Separate cadre for local administration should have been setup for effective implementation of policies and decision making.
- Even after a decade and a half after the PESA Act, there is very little awareness about the Gram Sabha being designated as a self-governing body or having legal jurisdiction over the natural resources and forests. Neither is there any support mechanism for the Gram Sabhas to play any significant role.
- Recommendations of State Finance Commissions (SFCs) are generally not taken seriously

- **Surrogate representation**
  - Twenty-five years after women were given 33% reservation in local self-governance bodies, many women sarpanchs remain faceless wives and daughters-in-law. Even Prime Minister Narendra Modi acknowledgement the fact that 'Sarpanch Pati' tradition should be ended.
  - With the backing of national and state political parties, the object of direct and grassroot democracy gets defeated.
  - The state and central government have also started creating separate structures or units for implementing specific projects on education, health, and so on; this limits the role and powers of the PRIs

Strong political will of the state governments are vital for vibrant local self-government institutions.

a) **Strong political commitment from higher level authorities** within the Government. Activity mapping which was supposed to be done by states as per resolution of the State Panchayat Ministers' round table has been done by quite a few states, but implementation has often remained incomplete. Transfer of functionaries has also remained mostly symbolic.

b) **Autonomy of the local bodies in decision making and implementation of local schemes**: Since Panchayats implement state and union government schemes they are required to adhere to the guidelines without any authority to deviate even a little as per necessities emanating from local conditions. In the absence of Panchayats' own financial resources they can hardly undertake programs on their own in line with local requirements. It is here that decentralization of political decision making needs to be complimented by measures to ensure fiscal autonomy for PRIs so that such institutions can muster necessary financial resources on their own to be truly self-reliant in local decision making and its implementation.

c) **Availability of the internally generated resources at the local level:** In the federal system of governance that is existent in India, almost all the sources of tax or non-tax revenue come under the jurisdictions of the State and Union Governments. This leaves little scope for local governments to generate resources on their own. Their own revenue generation capacity remains limited vis-a-vis their requirements and expenditure obligations. In view of this the constitution mandated for setting up of the State Finance Commissions that would help determine the devolution of state's revenue to the local governments.

Cooperation from the bureaucracy is vital for vibrant local self- government institutions.

- The development of bureaucracy should not be conservative but it should have scientific outlook, progressive, innovative, reformist and revolutionary in nature. The concrete tasks of development which the state had to undertake include modernization of agriculture, industrialization and economic diversification and building of infrastructure including

irrigation, electrification, communication, transport, education, health and promotion of science and technology.

- The Twenty Point Program contained a number of points for the poorest sections of the society like the liquidation of the rural indebtedness, provision of house sites for landless, and enforcement of minimum wages. The formulation and implementation of these programs required bureaucracy to play a new role, the role of an agent of development or agent of change as compared with the traditional role of the past as agent of status quo. Furthermore, since most of these were people oriented programs bureaucracy had necessarily to work with people.
- Motivating and mobilizing the people, communicating programs to them, eliciting their cooperation, building up grass-root popular institutions-these were the new methods and techniques of administration which bureaucracy had to adopt.
- The bureaucracy had to go to people as development workers rather than just passing orders on cases of people approaching them with their grievances.

Financial Devolution

Article 243 I - State Finance Commission- The state legislature may
   a) Authorise a panchayat to levy, collect and appropriate taxes, duties, tolls and fees
   b) Assign to a panchayat taxes, duties, tolls and fees levied and collected by the state government;
   c) Provide for making grants-in-aid to the panchayats from the consolidated fund of the state
   d) Provide for constitution of funds for crediting all moneys of the panchayats.

Finance Commission - The governor of a state shall, after **every five years**, constitute a finance commission to review the financial position of the panachayats. It shall make the following recommendations to the Governor:
1. The principles that should govern:
   - The distribution between the state and the panchayats of the net proceeds of the taxes, duties, tolls and fees levied by the state.
   - The determination of taxes, duties, tolls and fees that may be assigned to the panchayats.
   - The grants-in-aid to the panchayats from the consolidated fund of the state.
2. The measures needed to improve the financial position of the panchayats.
3. Any other matter referred to it by the governor in the interests of sound finance of the panchayats.

The state legislature may provide for the composition of the commission, the required qualifications of its members and the manner of their selection.

The governor shall place the recommendations of the commission along with the action taken report before the state legislature. The Central Finance Commission shall also suggest the measures needed to augment the consolidated fund of a state to supplement the resources of the panchayats in the states (on the basis of the recommendations made by the finance commission of the state).

Local bodies in our country receive funds in the following ways:
   - Grants from the Union Government based on the recommendations of the Central Finance Commission as per Article 280 of the Constitution.

- Devolution from the State Government based on the recommendations of the State Finance Commission as per Article 243I.
- Loans/grants from the State Government.
- Programme-specific allocation under Centrally Sponsored Schemes and Additional Central Assistance.
- Internal Resource Generation (tax and non-tax).

Criticality of financial devolution:

Panchayats
- To strengthen democracy at grass root level.
- Panchayats have very few revenue resources with them to provide services. Center and state can nudge local bodies for desired development agenda through financial devolution with conditions.
- It helps to avoid duplication of efforts by government machinery. There can be creation of knowledge innovation activity center to render advice and expertise to local authorities for planning and prioritizing development goals.
- To use local resources in cost effective service delivery. Example of Patoda village of Maharashtra: It started its own local voluntary taxation of very minimal amount in return of free services like clean RO drinking water, hot water, sanitary pads, CCTV cameras in public spaces, flour mill, spice grinder machine and tractor for agricultural needs on minimal rent indicates realization of development model at village level with understanding of local needs.
- Financial devolution increases accountability to people so performance can be realized as direct contact with people.
- Devolution based on capital asset creation, Human resource development, social indices and gender equality will bring desired results.

Though there are various issues associated with devolution of powers and finances at local level, reluctance of Politicians and bureaucrats to relinquish power to local bodies remain major hurdle.
- Issues like **lack of expertise** to plan development priorities and use resources optimally, lack of resources to implement development agenda with minimal avenues for taxation and income.
- **Fewer sources of finances** at center and state level to devolve, lack of checks and balances on authorities at local level, myriad of social issues at rural level which can neglect minority social groups and position of women.
- **Non-uniformity of various programmes** at local level can make regulatory oversight difficult, organized cartel of few individuals can indulge in corrupt activities; state government interference can continue to influence the decision making at local level.
- Municipalities have not succeeded in realizing the **potential of the property tax**, though property values are on rise.

Following are few of the measures to help local bodies mobilise additional financial resources.
- Devolving more taxation powers.
- Encouraging municipal bonds. Credit rating of cities and towns is a step in the right direction for issuing Municipal Bonds for mobilization of resources.
- Review of property tax system which suffers from undervaluation; non-availability of database of properties; low rates; low collection efficiency and lack of indexation of property values. Use of Geographic Information System (GIS).
- Improve efficiency and transparency in collection and mobilization of resources. Use of ICT system.

- There is also a need to explore alternative sources of revenue generation by the municipalities such as entertainment tax, mobile towers, user charges for solid waste, water, parking, value capture financing and monetization of infrastructural facilities like parks, roads.
- Laying down rules for sharing GST revenue between states and local bodies.
- Public-Private Partnership (PPP) model in infrastructural projects.

Thungon Committee was first to recommend a State Finance Commission should be set-up in each state. It would lay down the criteria and guidelines for the devolution of finances to the Panchayati Raj institutions.

E-PANCHAYAT FACILITY

Context: Under Digital India Programme, Ministry of Panchayati Raj is implementing e-Panchayat Mission Mode Project (MMP) with the aim to transform the functioning of Panchayati Raj Institutions (PRIs).

- Under e-Panchayat MMP, Ministry of Panchayati Raj launched eGramSwaraj, a simplified work-based accounting application to addresses various aspects of Panchayat functioning viz. planning, budgeting, accounting and online payments.
- As on 2 February 2022, 2.55 lakh Gram Panchayat (GP), 5390 Block Panchayat and 481 ZillaPanchayats have prepared and uploaded their Development Plans for 2021-22on eGramSwaraj application.
- Further, 2.19 lakh GPs have taken necessary steps for carrying out payments through Public Finance Management System (PFMS).

About BharatNet

- BharatNet project is being implemented in a phased manner by Department of Telecommunications to provide broadband connectivity to all the Gram Panchayats and equivalent in the country.
- As on 17.01.2022, total 1,70,136 GPs have been made Service Ready under the BharatNet project in the country.
- The scope of BharatNet on 30.06.2021 has been extended to all inhabited villages beyond GPs in the country.

Role of Gram Panchayat in localising SDGs

1. Convergent implementation of schemes- Ensure effective implementation of flagship programmes pertaining to livelihood like National Rural Livelihood Mission, Mahatma Gandhi National Rural Employment Guarantee Scheme, Swachh Bharat Mission etc. Eg: The Assam governments Samagra Gram Unnayan Yojana (CMSGUY) – a 5-year mission to initiate investment in rural areas towards doubling farmers' incomes.

2. Participatory outcome-based planning for local development
- Effective functioning of the Gram Sabha as participatory discussion and decision-making forum for local development.
- Ensure coordinated functioning in tandem with Self Help Groups and their collectives
- Institute outcome-based planning that sets baselines and monitors advancement in development indices.

3. Specific governance interventions in panchayats
- Effective functioning of Standing Committees and Functional Committees of the panchayats
- Strengthening fora for community participation
- Institution of clear community based monitoring and tracking mechanisms and information feedback to the community.

4. Interventions across tiers of panchayats
- Effect convergent planning between the three tiers of Panchayati Raj
- Effective functioning of the District Planning Committees which link rural and urban planning
- Coordination for service delivery and implementation of flagship schemes.
- Eg. The Government of Bihar's umbrella programme titled 7 Nischay (or 7 resolves) addresses challenges in multiple sectors following an inter-sectoral approach.

The Way Ahead
- In rural Indian context, the **living condition is linked with the practice of social justice principles**. There is a need to be more inclusive in addressing the problems of people from different sections.
- **Strengthening stakeholder participation** in governance particularly in decision making. The various village level committees formed under different development programs – School Management Committee, , Sanitation and Nutrition Committee, Matru Mangal Samiti for Anganwadi, PDS Committee, etc. should be strengthened so that they plan and monitor the service delivery.
- Each village panchayat must **assess the status of various public assets and services** with regard to its **functionality**.
- Primary focus must be given to five key services:
    - Anganwadi (Child care) as it has direct link with child development and curbing malnutrition
    - Primary education – it has link with universal literacy particularly among girls
    - Drinking water and sanitation – it has direct link with the health status and wellbeing
    - Access to public health services – it will improve institutional delivery and healthy life
    - Access to public distribution system and food availability in anganwadi and mid-day-meal – it will address malnutrition.

Survey of Villages and Mapping with Improvised Technology in Village Areas (SVAMITVA)

The need for this Yojana was felt since several villagers in the rural areas don't have papers proving ownership of their land. In most states, survey and measurement of the populated areas in the villages has not been done for the purpose of attestation/verification of properties.Lack of accurate land records are felt most acutely in times of crisis.

- Cyclone Amphan has devastated vast expanses of coastal Odisha and West Bengal, and left millions homeless. Any relief efforts aimed at helping people rebuild their homes would benefit hugely from land records that identify who lived where, and the boundaries and extent of their land. In the absence of these, there is the danger of the weakest sections losing out on the little they had, with no ability to claim compensation from the government.

- Land records also play an important role in the financial resilience of Gram Panchayats. Gram Panchayats that are able to generate their own revenues will be able to invest in the

needs of their local communities. However, Gram Panchayats have a poor track record of generating revenues, especially through property tax. The 2018 Economic Survey estimated only 19% of the potential property tax was being collected by Gram Panchayats. One possible reason for low collection would be the lack of data about the properties – where are they located, are they residential or commercial, what should be the appropriate tax value, and who should be taxed.

Swamitva Yojana is aimed to **fill the above gap to provide ownership rights to people in the villages**. It is expected to go a long way in settling property rights in rural hinterlands and likely to become a tool for empowerment and entitlement, reducing social strife on account of discord over properties.

What is the SVAMITVA card?

- The acronym SVAMITA stands for Survey of Villages and Mapping with Improvised Technology in Village Areas.

- It is a Central Sector Scheme (100% by Union Government) implemented by Union Ministry of Panchayat Raj

- It is aimed at "providing 'record of rights' to village household owners possessing houses in inhabited rural areas in villages and issuance of property cards to the property owners."

- The government aims to provide such property cards to each household in the next three to four years in every village across the country.

- The plan is to survey all rural properties using drones and prepare GIS based maps for each village.

- During the current financial year, the scheme is being implemented as a pilot project in about 1 lakh villages across 8 states – Maharashtra, Karnataka, Haryana, Uttar Pradesh, Uttarakhand, Madhya Pradesh, Punjab and Rajasthan.

How is a SVAMITVA property card generated?

1. **MoU with States:** The framework for implementation of SVAMITVA scheme provides a multi-stage process of generating a property card, which starts with signing of a memorandum of understanding between Survey of India (SoI) and respective state governments.

2. **Use of technology:** The SoI is responsible for preparing the National Topographic database on all scales, using technology (drones, Satellite images)

3. **Setting up of Network:** Once the MOU is done, a Continuously Operating Reference System (CORS) network is establishes that supports in establishing ground control points, which is an important activity for accurate Geo-referencing

4. **Public Awareness:** The next step is the identification of villages to be surveyed during the pilot phase, and make people aware of the process of mapping properties.

5. **Preparation of GIS Database:** The abadi area (residential area) of the village is demarcated and each rural property is marked with limestone (chunna). Then, drones are used for large scale mapping of rural abadi areas. Based on these images, a GIS database on 1:500 scale, and village maps — Gram Manchitra — are drawn

6. **Verification:** After creation of maps, a ground verification process by drone survey teams follows, on the basis of that corrections, if any, are made. At this stage, inquiry/objection process – conflict/ dispute resolution is completed

7. **Issuance of Property Cards:** After verification, final Property Cards/Title deeds or "Sampatti Patrak" are generated. These cards will be available on digital platforms or as hard copies to the village household owners.

How will the SVAMITVA property data and maps be updated in the future?

- The framework states, "Once the GIS database is prepared encompassing the 6.62 lakh villages, state governments will be responsible for conducting future surveys and updating the GIS database." They will also decide the update frequency of the re-survey.

Who will own the SVAMITVA data?

- According to the framework, the orthorectified base maps shall be jointly owned by the Survey of India, Ministry of Panchayati Raj and the state government. The GIS data will also be jointly owned by Centre and State.

- However, the data related to property details will be owned by the State Revenue Department as it has the authority to mutate the Right of Records (RoRs) and update the maps.

- Hence, the State Revenue Department will be the owner/host of this data and others will have a right to view

What is the benefit of issuing a SVAMITVA property card?

- **Access Credit & Benefits:** It will enable rural households to use their property as a financial asset for taking loans and other financial benefits.

- **Tax Collection:** The database will help in determination of property tax, which would accrue to the Gram Panchayats directly in states where they are empowered to collect such taxes

- **Enhances Liquidity of assets**: The cards will help increase liquidity of land parcels in the market and increase the financial credit availability to the village.

- **Developmental Planning:** The scheme will also pave the way for creation of accurate land records for rural planning. All the property records and maps will be available at Gram Panchayat, which will help in taxation of villages, construction permits, elimination of encroachments, etc.

The Way Forward

1. **Engage the community from the start:** Land and boundaries can be a charged topic, which more often than not discourages any policy reform. However, by involving the community, it is possible to create greater acceptance of the process and reduce potential for disputes. When the land boundaries are drawn by the people themselves, there is a high level of transparency and neighbours act as a check and balance, while building consensus on boundaries.

2. **Protect the most vulnerable people:** Land often has deep roots in social power structures, including caste and gender biases. Dalits, women, tenant farmers and tribal communities are often excluded from accessing land, even though they may legitimately have a claim. It would be important to build safeguards in the implementation process to ensure legitimate claims of the most vulnerable people are not crowded out by louder, or powerful voices. Awareness drives to familiarize people with digital land records, how to interpret and access them, also need to be built into the program to avoid information asymmetry and ensure access across user groups.

3. **Establish a grievance redressal system:** Even with the best of intentions, it is possible that the process will create grievances for some people. Drawing learnings from Odisha's Kalia and Mo Sarkaar programmes, a grievance redressal system that effectively addresses people's concerns in a transparent and fair manner, will go a long way in smooth implementation of the program.

4. **Enable markets to work:** It would be simplistic to expect that updated property records alone will make credit flow into rural areas. Credit needs marketable collateral, so it would be important to ensure there is a functional market for the underlying collateral – land. This would require states to simplify the legislative and regulatory procedures to build consumer confidence and encourage transactions in these areas.

Modernising land records is one of the foundational steps towards mending and reimagining broken institutional arrangements, which are pivotal in today's circumstances. The announcement of this scheme has signaled political will at the Centre to create reliable land records, which has been long overdue.

Women as Leaders

Women have been provided with 1/3rd reservation (in some states 50% reservation) of seats. This has resulted in:

- Women empowerment and betterment of their status in the society. As women themselves take decisions their decisions related to their problems.
- Political representation to the women
- Evidence from many examples suggests that successful Women Surpanchs in various states have brought positive changes in the lives of women of their village and also in rural governance.

Women's participation in PRI has a positive impact on other women. For instance,

- 79% of women realized enhancement in their self-esteem.
- 74% felt empowered in decision-making.

Importantly, female leaders also bring something quite different to the table.

- In particular, they perform significantly better than men in implementing policies that promote the interests of women.
- This was demonstrated in another study conducted by Nobel Laureate Esther Duflo and co-author Raghabendra Chattopadhyay, who used the system of mandated reservations of pradhans in gram panchayats to test the effectiveness of female leadership.
- Their study was made possible by the 1993 amendment of the Indian Constitution, which mandated that all States had to reserve one-third of all positions of pradhan for women.
- Chattopadhyay and Duflo concluded that pradhans invested more in rural infrastructure that served better the needs of their own gender. For instance, women pradhans were more likely to invest in providing easy access to drinking water since the collection of drinking water is primarily, if not solely, the responsibility of women.
- In addition to the instrumental importance of promoting more space for women in public policy, this is also an important goal from the perspective of gender equality.

Though the women reservation has brought substantial changes in the lives of women, still some problems persist due **to Proxy candidature** (real power vests with male counterparts), low literacy level, lack of social encouragement etc.

The Constitution of India has enabled women to be instrumental in strengthening decentralized governance through PRIs. They could play a more effective role if the suggestions are adequately followed.

Way Ahead

A number of recommendations were made by a roadmap of MoPR (2011-17) which can be implemented for the empowerment of women:

- Provisions of women component plan in PRI budgets.
- PRI of all levels should be linked with Self Help Groups (SHGs) at all levels.
- Adequate training and capacity building for elected women representatives.
- Horizontal and peer-to-peer learning of best practices.
- Exposure visits and meetings.
- Political parties should support women candidates.
- Women candidates should be given the opportunity to serve the full term.
- Mahila Sabhas should be encouraged to raise women's concerns.
- Women should be mobilized in their own collectives for better results. For example, the Kudumbashree network of Kerala.
- The Panchayats should be devolved with appropriate powers and authorities for smooth functioning.

Panchayats (Extension to the Scheduled Areas) Act, 1996 (PESA)

Indian government in 1992 passed the 73rd and 74th Constitutional Amendment Acts, which empowered panchayats and municipalities with a vision of local self-governance, but was not extended, to the Schedule 5 states.

The Bhuria Committee in 1995 formulated a three-tier structure to extend the Panchayati raj functions in the scheduled areas. Consequently Panchayats (Extension to Scheduled Areas) Act, 1996 was enacted to extend panchayats to schedule 5 states.

- **Filling the constitutional vacuum:** These Areas were not covered by the 73rd Constitutional Amendment or Panchayati Raj Act of the Indian Constitution as provided in Part IX of the Constitution.

- **Self-governance:** PESA sought to enable the Panchayats at appropriate levels and Gram Sabhas to implement a system of self-governance.

- **Customary regulation:** It includes a number of issues such as customary resources, minor forest produce, minor minerals, minor water bodies, selection of beneficiaries, sanction of projects, and control over local institutions.

Positive outcomes

1. The fundamental spirit of PESA is that it does not delegate powers but devolves them to the village-level gram sabhas, paving the way for participatory democracy.

2. gram sabha, which will exercise command over natural resources, resolve disputes and manage institutions such as schools and cooperatives under it

3. Above it will be a gram panchayat, an elected body of representatives of each gram sabha, also to function as an appellate authority for unresolved disputes at the lower level. At the top of it will be a block- or taluk-level body.

4. When it was enacted, PESA was seen as a legislative revolution as it empowered gram sabhas to take decisions on important and contested tribal matters such as enforcing a ban on the sale and consumption of intoxicants, ownership of minor forest produce, power to prevent alienation of land and to restore unlawfully alienated land, management of village markets, control over money lending, an land acquisition.

5. Along with this, it made it mandatory for all legislation in the scheduled areas to be in conformity with the customary law, social and religious practices and traditional management practices of the community.

6. PESA comes under the Fifth Schedule, which mandates tribal advisory councils headed by chief ministers to oversee tribal affairs and also gives extrajudicial, extra-constitutional powers to the Governors of each State to intervene in matters where they see tribal autonomy being compromised.

Negative aspects:

1. State Governments like Odisha still to make rules to implement it.

2. Government taking Panchayats as a unit instead of Gram Sabha as mentioned in act to formulate policies.

3. Lack of tribals/women in developmental committees formed by Government.

4. Forcible land acquisitions taking place by organizing fake Gram Sabhas.

5. 1997, Samatha judgement gave unfettered authority to Governors regarding transfer of tribal of land to Government & vice versa altering balance of power as specified in Act.

6. PESA is implemented by Ministry of tribal affairs and Ministry of Rural development which creates problems of coordination and overlapping

7. Corruption and lethargy among the bureaucracy is the major hurdle for the effective implementation of the act.

The Way Forward

1. Special cell to be created in Tribal Ministry for looking at problems of affected people.

2. Report of special cell should be mandated to be placed on floor of the house.

3. SC order to implement PESA in both letter & spirit should be strictly adhered to.

4. Regular monitoring of cases of "fake gram sabhas" by Special Police team containing maximum tribal community members.

5. Regular elections being conducted & responsibility given to DC to overlook problems arising.

6. India has been a nation with rich & old culture diversifying in various regions, onus falls on Government to look into administrative & political concerns to bridge trust deficit underlying in these areas

NOTE:

What are Scheduled Areas?

- "Scheduled Areas" mean the Scheduled Areas as referred to in Clause (1) of Article 244 of the Constitution.

- They are found in ten states of India which have predominant population of tribal communities.

- At present, Scheduled Areas have been declared in the States of AP (including Telangana), Chhattisgarh, Gujarat, Himachal Pradesh, Jharkhand, MP, Maharashtra, Odisha and Rajasthan.
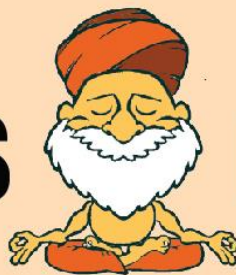
Powers granted to Gram Sabha/Panchayats

- **Land acquisition:** To be consulted on matters of land acquisition and resettlement.

- **Mining licencing:** Grant prospecting license for mining lease for minor minerals and concessions for such activities.

- **Water Bodies:** Planning and management of minor water bodies.

- **Regulation of Liquor:** The power to enforce prohibition or to regulate or restrict the sale and consumption of any intoxicant.

- **Minor Forest Produces:** The ownership of MFPs

- **Land reforms:** The power to prevent alienation of land and to restore any unlawfully alienated land of a scheduled tribe.

- **Village Markets:** The power to manage village markets.

- **Money Lending:** The power to exercise control over money lending to scheduled tribes.

All the best,

Team IASbaba 😊