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## **A Study on Indian Public Policy and Proposal for Linking Income Tax Regime to Promote Entrepreneurship Schemes**

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### **ABSTRACT**

In recent days, Indian youths have come up with business ideas to encourage the economy of India through entrepreneurship. However, in recent years, they have struggled to find the right approach to success in their business. But the present government has made a road for them to enlighten their vision through the wisdom of the Ministry of Corporate Affairs and the Indian Institute of Corporate Affairs. This paper aims to provide useful suggestions and recommendations for Indian public policy related to the income tax department and government of India to strengthen the opportunity for India's economy and entrepreneurial activity in India. We know that income for the government of India comes from 15% of income tax as per budget 2022. This paper suggests amending the income tax regime to promote the Gross Domestic Product, promote innovation and entrepreneurship, and provide employment opportunities to the citizens of India. This paper reveals 18 suggestions and recommendations through micro and macro models to create an imperial revolution in Indian public welfare. Further, the paper also discusses about the benefits for various participants involved in the public policy affairs. The suggestions and recommendations provided in this paper cannot be tested without the help of the Ministry of Finance and the Government of India. However, this paper reveals the feasibility of the idea and the viability of increasing the GDP, Indian Currency Value, entrepreneurship promotion, unemployment reduction, and benefits to the taxpayers and country in many ways.

**Keywords:** Indian Economy, Tax policy, Enterprises and Entrepreneurship

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### **1.Introduction:**

In recent days, Indian youths have come up with business ideas to encourage the economy of India through entrepreneurship. However, in recent years, they have struggled to find the right approach to success in their business. But the present government has made a way for them to enlighten their vision through the wisdom of the Ministry of Corporate Affairs and the Indian Institute of Corporate Affairs. To boost the nation's economy and control inflation, the government has taken steps such as disinvesting in public enterprises such as LIC and other profit-making enterprises. IIM's and IIT's of India have started various activities. For example, premier institutes like the Indian Institute of Management Bangalore have initiated NSRCEL, which supports youths through a start-up hub incubation centre. The Indian Institute of Management Kozhikode also initiated a Laboratory for Innovation, Venturing, and Entrepreneurship with the support of the Department of Science and Technology, GOI to incubate young start-up businesses in India, etc.

Start-ups run by Indian youths who attended premier institutes such as IIM and IIT are performing well in the current scenario, with the best examples being Ola Cabs, Flipkart, Mastek, Rediff.com, Naukri Ltd, Make My Trip, Blue Gape, Snapdeal, Redbus, and others. These start-ups are the best showcase examples of corporate governance. Youths from top B-schools and Tier-I institutes have the knowledge and courage to start new businesses. If such guidance and support were available to Tier-II institutes, then they would also shine well. The government of India has initiated a National Education Policy to improve the standard of education, which will sharpen the students' minds far better than the current education system. A research-oriented education system will engage students as result-oriented professionals. Moreover, the Indian Institute of Corporate Affairs and the Ministry of Corporate Affairs also initiated various programmes for corporate governance and board directors' development to build enterprises stronger than before. The Ministry of Human Resource Development of India and the Government of India also initiated education portals like Study Webs of Active Learning for Young Aspiring Minds, which will increase the wisdom of youth to learn effectively. Even so, they are not affordable for higher studies in premier institutes in India and abroad. These initiatives are the most effective way to educate the youth and mould them into better moulds. Hence, the new India will be in a better position in the future.

## 2. Review of Present Background

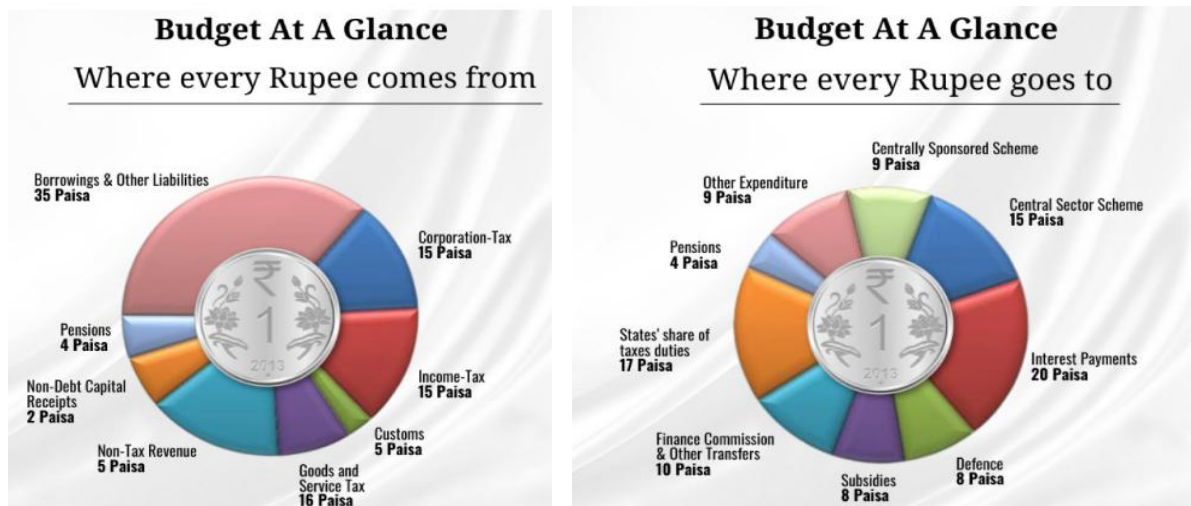
### *Present Challenges for Indian Youth:*

The past and present pandemic situations in India have pushed the market and economy up and down during lockdown and unlocking, which has affected the revenue of the government in terms of attracting foreign direct investments, a decrease in sales tax and other direct and indirect taxes due to the closure of business enterprises due to insolvency and bankruptcy. The number of insolvency and corporate insolvency resolutions and bankruptcy has been increased due to the pandemic situation worldwide. The education systems are running in online mode and to maintain social distance, offline mode education schemes are paused for a while, which affects the mental stability of the youthful students through looking into smart phones, electronic gadgets, desktops, laptops etc. The reading habit and networking with fellow students have decreased vastly due to the pandemic era. Micro and macro enterprises are not functioning well with required profitability and financial turnover, which has closed their business permanently or temporarily, which affects the employment of young people. So, students have a new choice to begin an enterprise for self-employment nowadays. As a result, start-up challenges for young people will seek investment capability. Hence, they should get some financial assistance to start up their business. Good governance is needed to run a start-up business in a profitable way. To incorporate their enterprise as a corporate, they should make use of effective corporate governance.

### *A Way Forward for Corporate Governance to Build India Strong:*

Corporate governance is essential for any business enterprise. It requires effective leadership to rule the company's operations in a profitable and sustainable way through intellectual and effective administration. The methodical approach to dealing with investors in order to raise funds and manage creditors, board members, auditors, customers, suppliers, media communications, pricing strategy, accounting standards, litigation and arbitration, government policy regulations, competition laws, company acts, regulatory enforcement, enterprise risk management, and so on. These are the essential elements for a successful business and should be governed by corporate governance principles, which play a significant role in the corporate world. Corporate governance should act as a whistle blower when a company goes down the wrong path or in a different direction. A good initiative has been taken by the Ministry of Corporate Affairs by establishing the Indian Institute of Corporate Affairs to create awareness about corporate governance and boardroom training for young professionals and independent directors to build India stronger through the wisdom and collaborative efforts of Indian youth.

### *2022 Budget at A Glance:*



Source: [www.OutlookIndia.com](http://www.OutlookIndia.com)

Figure 1. Cash In and Cash out Scenario of budget 2022

Figure 1 above represents the cash-in and cash-out of an illustration of budget 22 with a base of 1 Indian rupee, which means the income tax contributes 15% of income to the Indian government. GSTR contributes 16% and corporate tax contributes around 15% of income to GOI. This paper proposes a few amendments to Individual Income Tax policy like 80C and the introduction of new schemes to the old tax regime for claiming exemptions to promote entrepreneurship schemes. 7% of income tax income to the government may be re-routed to increase the corporate tax through the various schemes that help India's youth to reduce the unemployment burdens. Furthermore, the schemes that benefit the government by generating new revenue through GST and other sources This kind of scheme will provide a positive contribution to GDP. To check out the benefits of schemes, the government of India has to go through the following suggestions and recommendations and should test the possibilities in the upcoming fiscal year to evaluate their outcome. The suggestions and recommendations discussed in this paper cannot be tested without the help of the Ministry of Finance and the

Government of India. However, this paper reveals the feasibility of the idea and the viability of increasing the GDP, Indian Currency Value, entrepreneurship promotion, unemployment reduction, and benefits to the taxpayers and country in many ways.

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### **3. Research Methodology**

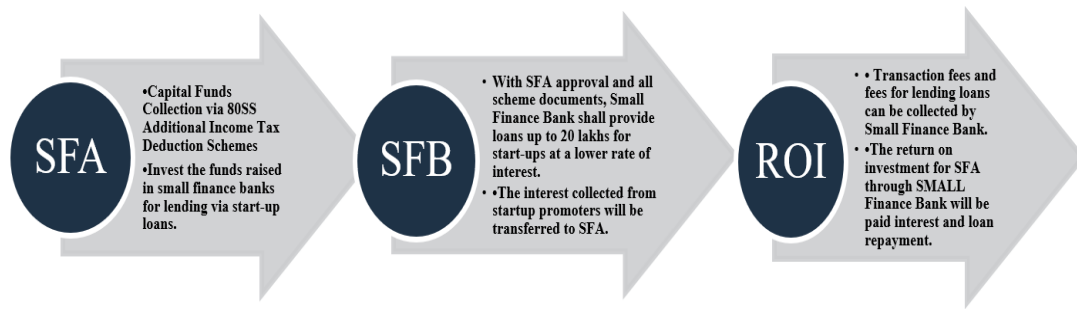
The purpose of this paper is to investigate taxpayers' views on the income tax regime as well as emerging entrepreneurs' difficulties in raising funds for their businesses. The opinion survey was conducted with 50 respondents who are under various tax slabs and 50 respondents who are emerging start-up entrepreneurs. The recommendations and suggestions were discussed with income taxpayers to identify their interests and necessities for raising funds for business have been identified through emerging entrepreneurs.

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### **4. Suggestions and Recommendations:**

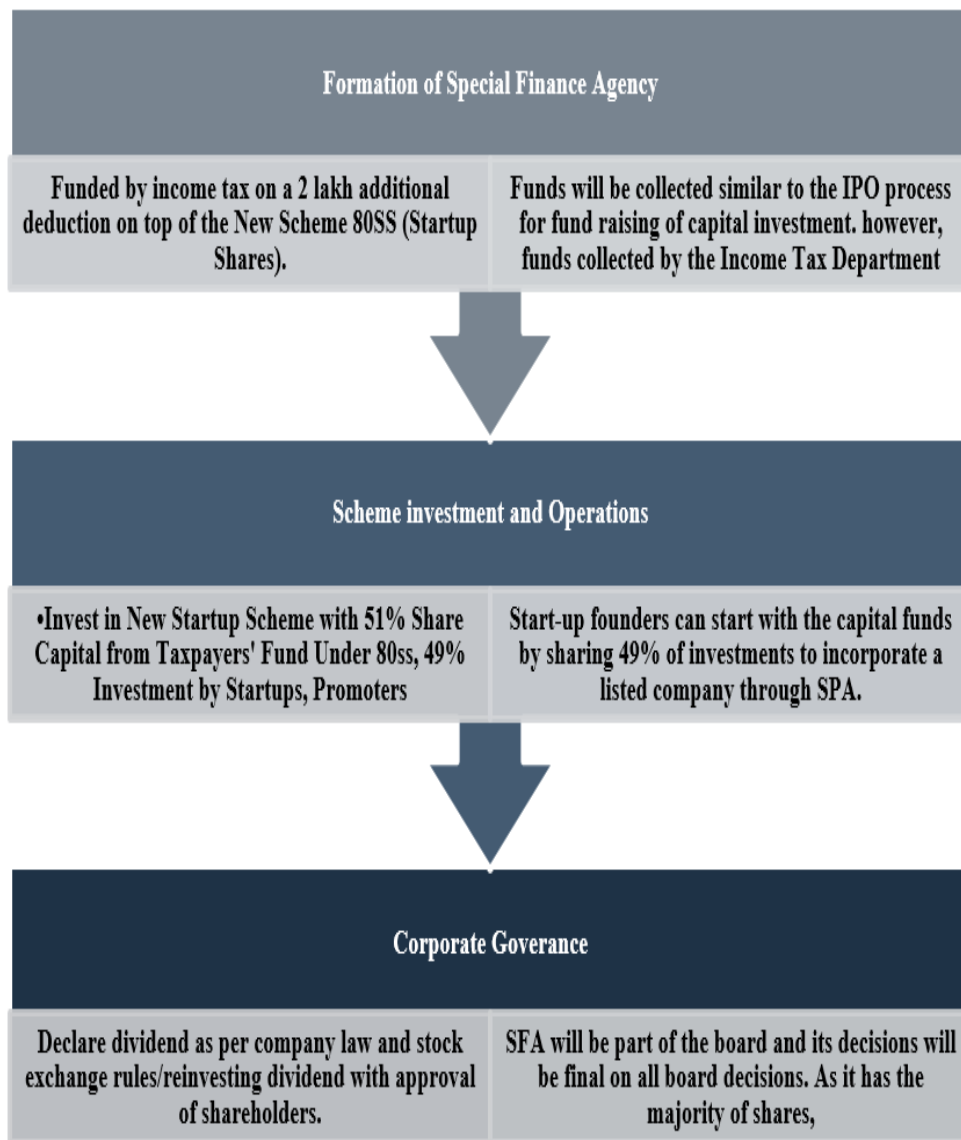
1. Creating a special financing agency (SFA) for start-up funding for youth who wish to begin a new enterprise.
2. Creating an initial public offering through a special financing agency (SFA) for start-up enterprises through SEBI, NSE, and BSE with nominated independent directors.
3. Creating an option to invest in SFA which funds start-ups to claim an additional deduction of income tax up to 2 lakhs 80SS (Start-up Shares) from salaried people like ELSS & NPS.
4. Appointing a chartered accountant through a special financing agency (SFA) to a group of such start-up companies for regulating corporate governance and providing support to seeking personnel.
5. Imposing conditions (specific provisional clause) on small-value government issues tenders for mandatory subcontracting to such start-ups that provide relevant services.
6. Imposing conditions (specific provisional clause) on small-value government tenders to supply a certain percentage (%) of material to the contract/projects
7. Enrolling the new youth start-ups in vendor selection/approved vendors for public enterprises.
8. Offering a claim for a specific percentage (%) of corporate tax reduction for corporations that buy materials or provide services from new start-ups.
9. Creating an option for funding to special financing agency (SFA) as a part of Corporate Social Responsibility for corporate enterprises.
10. Engaging retired professors from prestigious institutions to advise on business continuity during the rise of insolvency issues.
11. During insolvency issues, the various start-up enterprises were merged together.
12. cascading the business opportunities within the start-up to maintain and balance the supply and demand, which helps each other to maintain the sustainability of their business.
13. Discounting the Percentage (% of CGST, % of IGST and % of SGST) for the youth start-up companies to reduce burden over the working capital, Operating margin & Inverted GST.
14. To protect investors in sick start-ups, SEBI should take over control for liquidation and merge with corporates during insolvency/corporate resolutions.
15. Relaxing income tax filing requirements by implementing the Nil Returns Scheme for sick start-ups to help them recover from insolvency.
16. Reducing loan interest (%) for start-up firms when availing loans from government banks.
17. Dismissing the loans when the start-up fails to perform well and recovering the loans by selling their assets to their competitors to safeguard the investors.
18. Implement reinvesting schemes of profit dividends to help start-ups to increase cash flows.

**Macro Model I:**



**Figure -2**

**Micro Model II:**



**Figure – 3**

**5.Key Benefits to various Participants:****Table - 1**

<b>Key Benefits</b>	<b>Government of India</b>	<b>SEBI</b>	<b>Special Finance Agency under 80SS</b>	<b>Start-Up Promoters</b>
<b>Employment Opportunity</b>	<ol style="list-style-type: none"> <li>1. The unemployment rate will be reduced.</li> <li>2. creation of new employment opportunities.</li> <li>3. increase in revenue over taxpayers.</li> <li>4. Enrolment of new companies and new tax revenues</li> </ol>	<ol style="list-style-type: none"> <li>1. Creating opportunities for new independent directors and directors for corporate governance.</li> </ol>	<ol style="list-style-type: none"> <li>1. Creation of wealth through providing additional tax deductions under 80SS for taxpayers who own the companies indirectly through start-up shares.</li> <li>2. Risk disclosure to investors while investing will increase their investment potential.</li> </ol>	<ol style="list-style-type: none"> <li>1. Getting the loan of 49% capital investment through a macro model from a small finance bank through SFA Start-up approval.</li> <li>2. Obtaining 51% of capital investment through the micro model scheme.</li> </ol>
<b>Economy Growth</b>	<ol style="list-style-type: none"> <li>1. GDP: Gross Domestic Products will be improved by means of promoting micro-economies and start-ups.</li> <li>2. Exports will be increased through the start-up products.</li> <li>3. Revenue through taxes on the new start-up companies will increase the revenue for GOI.</li> <li>4. The inflation rate will be controlled and balanced through the start-up firm's competition in the market.</li> </ol>	<ol style="list-style-type: none"> <li>1. Investment is monitored by SEBI and secured by the boards of governance to enhance the interests of investors under 80SS.</li> <li>2. increase in opportunities for trading and individual investors.</li> </ol>	<ol style="list-style-type: none"> <li>1. Getting returns over the interest of loan lending under a macro model to start-up-promoters up to 20 Lakhs through small finance Banks.</li> <li>2. Creating business to small finance bank.</li> <li>3. Getting returns over the profit by sharing through a macro model with start-up promoters.</li> </ol>	<ol style="list-style-type: none"> <li>1. Self-employment opportunities for start-up promoters will be expanded.</li> <li>2. After deducting interest and loan repayments, turnover will be fully remitted to the start-up promoter who benefited from SFB through the Special Finance Agency's Macro model scheme.</li> </ol>
<b>Share of Profits</b>	<ol style="list-style-type: none"> <li>1. The country gets benefits through direct and indirect taxes under the firms registered under SFA 80SS.</li> </ol>	<ol style="list-style-type: none"> <li>1.Regulation charges and levies for control can be taken by SEBI on both models.</li> </ol>	<ol style="list-style-type: none"> <li>1. Funding, Monitoring, Control, and Regulation charges and levies for controlling investments can be taken by SFA on both models.</li> </ol>	<ol style="list-style-type: none"> <li>1. 49% of profits for the capital investment shares will be provided under the micro model start-up promoters.</li> </ol>
<b>Mergers</b>	<ol style="list-style-type: none"> <li>1. FDI Foreign Direct Investment (options) to buy shares of such start-up firms creates disinvestment opportunities to raise funds for GOI at critical times.</li> </ol>	<ol style="list-style-type: none"> <li>1. SEBI may control the mergers of moderately performing companies under a micro model.</li> </ol>	<ol style="list-style-type: none"> <li>1. Under the micro model, SFA may recommend to SEBI mergers of moderately performing companies.</li> </ol>	<ol style="list-style-type: none"> <li>1. Start-up promoters can merge their companies under a micro model to perform well in the markets.</li> </ol>
<b>Acquisitions</b>	<ol style="list-style-type: none"> <li>1. FDI Foreign Direct Investment (options) to acquire shares of such start-up companies under macro models run through SFB, which will increase the stability of the market.</li> </ol>	<ol style="list-style-type: none"> <li>1. SEBI may control the acquisitions of underperforming companies under macro models in SFB loans.</li> </ol>	<ol style="list-style-type: none"> <li>1. SEBI may suggest SFA for the acquisition of moderately performing companies under a micro model with NSE or BSE listed firms.</li> </ol>	<ol style="list-style-type: none"> <li>1. Start-up Under the macro model, promoters can acquire other start-ups to improve competition and performance.</li> </ol>

<b>Liquidations</b>	1. The insolvent companies under micro and macro models will be liquidated and the funds will be recovered by the government of India through the Special Finance Agency.	1. SEBI can liquidate the insolvent firms under micro model and macro model loans with SFA and SFB.	1. To resolve insolvency issues, SFA must be involved in the corporate resolution plan and liquidate insolvent firms under micro model firms.	1. Start-up promoters must liquidate when they become insolvent under the macro model in order to repay small finance bank loans.
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## 6. Conclusion:

The Almighty blessed India with one of the world's highest youth populations. The overall rate of literacy is around 90% among Indian youth. Swami Vivekananda believed that "youth is the foundation of the country, and they are a great asset to any nation as they are full of energy, enthusiasm, and innovative ideas." The Honourable Prime Minister, Narendra Modi, is a role model for youth because of his commitments towards value, hard work with sharp delivery and fine execution skills with mass communication skills. He also believes in the efforts of youth which will direct our Indian nation towards wealth and prosperity. Nowadays, youths are also interested in Indian politics since they seek more support from the Indian government for their education, employment, entrepreneurship, and development to reduce the inflation level, improve the GDP, and increase product and service exports to increase the INR currency value. The government of India also addresses the issues and gaps through amending public policies from time to time, parliament bills, and new initiatives etc. The suggestions and recommendations that are provided may be simple ideas that need action and initiatives from IICA, MCA, SEBI, and GOI to improve the future vision of the new India to create new opportunities for youth start-ups, employment opportunities, revenue for small finance banks, control price inflation in India, and increase the economy of India by increasing the GDP and exports of the nation by proposed (Macro and micro) schemes under SFA special finance agency. We believe on the special occasion of 75th Independence Day, "Azadi ka Amrit Mahotsav", will bring new prosperity and outlook to the Indian Nation and we, Indians, look forward to the upcoming new policy which will be amended by the Ministry of Finance and Government of India to favour and improve the lives of youth and corporate governance even more to build a new vision of India towards a successful mission to improve the country's GDP and make it a wealthy nation in the world.

## Declaration:

There is no conflict of interest

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