

SMALL SCALE INDUSTRY

Meaning and Definition of Small Scale Industry

As per Indian Industrial Law wef 21.2.1999,

“An Industrial undertaking in which the investment in fixed assets, plant and machinery does not cross Rs. 10 million is treated as a SSI unit. This is irrespective of whether the assets are held on ownership terms, on lease or on hire purchase”.

The meaning of SSI has changed over a period of time and some of them are listed in the table below.

Table 6.1

1950	The fiscal commission for the first time defined an SSI as one which is operated mainly with hired labour usually 10 to 50 hands.
1954-55	The Government of India set up Central Small Scale Industries Organization (CSSIO) and Small Scale Industries Board (SSIB) to promote small scale industries.
1960	Employment criterion to define SSI was dropped and under investment criterion an industry having gross value of fixed asset up to Rs. 5 Lakhs was called as SSI.
1975	The investment limit was rise to Rs. 10 Lakhs (15 Lakhs for ancillary units).
1980	The investment limit was rise to Rs. 20 Lakhs (25 Lakhs for ancillary units).
1985	The investment limit was rise to Rs. 35 Lakhs (45 Lakhs for ancillary units).
1995	The investment limit was rise to Rs. 60 Lakhs (75 Lakhs for ancillary units).
1997	The investment limit was raised to Rs. 3 Crore.
1999-2000	The investment limit was reduced to 1 Crore.
2007	Limit is 1 Crore only.

Characteristics of SSI

The following are the characteristics of SSI

- (1) A small unit is generally a one-man show. Even if SSI is run on partnership or company, the activities are carried by one of the partners or directors; the others are as sleeping partners.

- (2) The owner takes effective participation in all matters of business decision making.
- (3) The scope of operation of SSI is generally localized, catering to the local and regional demands.
- (4) The gestation period i.e., the period after which return on investment starts is relatively lower when compared to large units.
- (5) SSI's are fairly labour intensive with comparatively smaller capital investment.
- (6) Small units use indigenous resources and therefore, can be located anywhere subject to the availability of these resources like raw materials, labour etc.
- (7) Using local resources Small Units are decentralized and dispersed to rural areas. Thus small units promote balanced regional development and prevent the influx of job seekers from rural areas to cities.
- (8) Small scale units are more change susceptible and highly reactive and receptive to socio-economic conditions. They are more flexible to adopt changes like introduction of new products, new method of production, new materials, new markets and new form of organization etc.

Rationale

Emphasizing the very rationale of Small-scale industry in the Indian economy, the Industrial Policy Resolution (IPR) 1956 stated:

“They provide immediate large scale employment, they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilization of resources of capital and skill which might otherwise be unutilized. Some of the problems that unplanned urbanization tends to create will be avoided by the establishment of small centers of industrial production all over the country”.

The rationale of small scale industries so established can broadly be classified into four arguments as discussed below.

1. Employment Argument

In view of abundant labour and scarce capital resources, the most important argument in favor of the SSI's that have a potential to create immediate large scale employment opportunities. There are many research findings available which will establish that smallscale units are more labour intensive than large units. Small units use more of

labour per unit than investment. Studies have shown that the output-employment ratio is the lowest in small sector, employment generating capacity of small sector is eight to ten times that of large scale sectors.

Some scholars oppose this argument. They are of the opinion that employment should not be created for the sake of employment. According to them it is not how to absorb surplus resources but how to make the best use of scarce resources. Then employment argument becomes output argument.

2. Equality Argument

An important argument in favor of small-scale industries is that they ensure a more equitable distribution of national income and wealth. This is based on two major considerations:

- (1) Compared to ownership of large scale units, the ownership of small-scale units is wide spread.
- (2) Their more labour-intensive nature and decentralization and dispersal to rural and backward areas provide more employment opportunities to the unemployed. Most of these small-scale units are proprietary or partnership concerns, the relations between workers and employers are more harmonious in small-scale units than in large-scale units.

3. Decentralization Argument

Big industries are concentrated every where in urban areas, but small industries can be located in rural or semi-urban areas to use local resources and to cater to the local demands. Hence it promotes balanced regional development in the country. Decentralization will help tap local resources, idle savings, and local talents and improves the standard of living even in erstwhile backward areas. The good example of this phenomenon is the economy of Punjab which has more small-scale units than even the industrially developed state of Maharashtra.

4. Latent Resource Argument

According to this argument, small enterprises are capable of mapping up latent and unutilized resources like hoarded wealth and ideal entrepreneurial ability etc.

The emergence of entrepreneurial class requires a conducive environment. The impressive growth in the number of small enterprises in the post independent period highlights the fact that, providing the necessary conditions such as power and credit facilities, the latent resources of entrepreneurship can be tapped by the growth of small enterprises only.

Objectives

The various objectives of developing small-scale industries are in fact, implied in one way or other, in its rationale itself, just discussed in the section 6.3. However, an attempt has been made in this section to enumerate the main objectives of developing small enterprises in India.

1. To generate immediate and large scale employment opportunities with relatively low investment.
2. To eradicate unemployment problem from the country.
3. To encourage dispersal of industries to all over country covering small towns, villages and economically lagging regions.
4. To bring backward areas too, in the main stream of national development.
5. To promote balanced regional development in the whole country.
6. To ensure more equitable distribution of national income.
7. To encourage effective mobilization of country's untapped resources.
8. To improve the standard of living of people in the country.

Scope

The scope of small-scale industries is quite vast covering a wide range of activities. These activities are characterized by labour intensive, need less capital and require less sophisticated technology. The activities which are found particularly amenable can be successfully operated in small scale are too many to mention. Among them the important ones are:

Manufacturing activities

Servicing/repairing activities

Retailing activities

Financial activities

Whole-sale business

Construction activities

Infrastructural activities like transportation, communication etc.

In order to strengthen the scope for small-scale industries, the Government of India has announced reservation policy for small sector in the country. In 1967 only 47 items were reserved for exclusive manufacture in small scale sector. In 1983 the reserved list included 836 items. Later Abid Hussain committee dereserved 12 items and thus there are 824 items in the reserved list. The objective of this reservation policy is to insulate the small sector from unequal competition of large industrial establishments, so that the small firms can grow through expansion of existing units and the entry of new firms. Some of the important items reserved for exclusive development in the small sector are food and allied industries, textile products, leather and leather products, foot wares, plastic and rubber products, chemical and chemical products, glass and ceramics, pressure stove, electrical appliances, boats and truck body building, auto parts components, bicycle parts, tricycles, survey instruments, sports goods, stationery items, clocks and watches etc.

It is also important to note that the performance of reserved small-scale industries does not outshine that of non-reserved small industries. J.C. Sandesara, has found that the easy entry into SSI sector has intensified competition within the sector, and resulted in excess supply, and thus, a fall in profitability. He also adds that the reservation policy is calculated to keep 'infant' industry in a permanent state of infancy. However the main objective of reservation policy has been insulated small sector from unequal competition of powerful large scale units, so that the small sector can grow through expansion on one hand, and by the entry of new firms on the other hand seems to be achieved. Examples are many to support this view.

Role of SSI in Economic Development

Economic development is defined in a number of ways; the commonest definition could be 'an increase in real per capita income of a person resulting in improvement in the levels of

living'. The developments of small-scale industries contribute to the increase in per capita income. The role of SSI in economic development is given below.

1. Employment

SSI use labour intensive techniques and therefore provide employment on a large scale, SSI accounts for 75% of the total employment in the industrial sector. SSI provides self-employment to artisans, technically qualified persons and professionals. These industries also offer employment to farmers when they are idle.

2. Optimization of Capital

SSI requires less capital per unit of output and provides quick returns on investment due to shorter gestation period. Small scale units help to mobilise small and scattered savings and channelise them into industrial activities.

3. Balanced Regional Development

SSI promotes decentralized development of industries. They help to remove regional disparities by industrializing rural and backward areas. They also help to improve the standard of living in suburban and rural areas.

4. Mobilization of Local Resources

SSI helps to mobilize and utilize local resources like small saving, entrepreneurial talent etc. which might otherwise remain idle and unutilized. These industries facilitate the growth of local entrepreneurs and self-employed professionals in small towns and villages.

5. Export Promotion

SSI helps in reducing pressure on the country's balance of payments in two ways. First they do not require imports of sophisticated machinery or raw materials. Secondly, SSI can earn valuable foreign exchange through exports. There has been a substantial increase in exports from the small scale sector.

6. Consumer Surplus

SSI now produces a wide range of mass conception items. Over 5000 products are being manufactured in small scale sector. About one-half of the output of manufacturing sector in India comes from small scale industries.

7. Feeder to Large Scale Industries

SSI plays a complementary role to large scale sector. They provide parts, components, accessories etc. to large scale industries. They serve as ancillary units.

8. Social Advantage

Small scale sector contributes towards the development of a socialistic pattern of society by reducing concentration of income and wealth. They provide an honorable and independent living to people with limited resources. They facilitate wide participation of public in the process of development.

9. Share in Industrial Production

SSI contributes more than one-half of the total industrial production in India. About 5000 products are manufactured in the small scale sector.

10. Development of Entrepreneurship

Small scale units have helped to develop a class of entrepreneur. These units facilitate self-employment and spirit of self-reliance in the society.

Advantages of Small Scale Industries

- Small scale enterprises can be started as per convenience of the owner in terms of space, finance, product and manpower.
- Small gestation period of only 2 to 6 months and layout can be made as per convenience.
- Locally available skilled and semi-skilled people can be appointed at short notice and at a much lower wages compared to the medium and large industries.
- Wherever high technology involved the parent company executives will help. Alternatively, consultants can be hired to sort out technology related problems.
- It is one of the best forms of self-employment as well as giving employment opportunities to own kith and kin, friends and relatives etc.
- In case of rural sector the SSI units will be able to have cheaper labour especially in off seasons.
- In developing countries the SSI units are a necessity to assist bigger industries and new projects. Thus they not only contribute to the economy of the nation but also create employment opportunities to people around the project sites.

- In case of SSI units started by experienced and talented executives, there is abundant scope to develop high technology components for MNCs and also to organize exports.
- Due to increase in population there has been increase in production of consumer goods and Fast Moving Consumer Goods (FMCG). In view of this there is a bigger role for small industries to take up components production and even manufacture the product itself.
- The small units are exempted from excise duty up to 75 lakhs per annum turnover. In case of industries in the backward districts, waiver or concession is given for various statutory taxes. Thus lot of paper work and formalities are avoided.
- Since employees are recruited based on contacts or relations there will be loyalty to the owner and hence there will be no trade union activity.

Steps to Start an SSI

Starting an SSI is a complex job. The potential entrepreneur has to pass through a number of steps in a step-by-step approach to achieve his goal of setting up an SSI. In fact, deciding and motivating the self is the first bedrock upon which the establishment concept of an enterprise is entirely posited. Similarly, the identification of a viable project ensures the proposition that “well begun is half done”. Hence the various steps involved in establishment of an enterprise through which the entrepreneur may pass are the following:

1. *Decision to be self-employed:* This is the most crucial decision a youth has to take, shunning wage employment and opting for self-employment or entrepreneurship.

2. *Analyzing strengths, weaknesses, opportunities and threats (SWOT analysis):* The potential entrepreneur has to analyze his strengths, weaknesses, opportunities and threats, while deciding to go for entrepreneur career. This analysis enables him to know what type and size of business would be the most suitable. This will vary from person to person.

3. *Scanning of business environment:* In order to ensure success of his enterprise, entrepreneur should scan the business opportunities and threats in the environment. He

should study the administrative framework, procedures, policies, rules and regulations and other formalities implemented by the government.

4. Training: Before going to start the enterprise, the potential entrepreneur must assess his own deficiencies which he can compensate through training. He can avail the facilities of various training institutes like EDI, NIESBUD, IEDs existing in our country.

5. Product selection: The most important step is to decide what business to venture into, the product or range of products that shall be selected for manufacture and in what quantity.

6. Market survey: It is always convenient to manufacture an item but difficult to sell. So it is rational on the part of the entrepreneur to survey the market thoroughly before embarking upon production.

7. Form of organization: A firm can be constituted as proprietorship, partnership, limited company (public/private), cooperative society, etc. This will depend upon the type, purpose and size of entrepreneur's business

8. Location: The next step will be to decide the location where the unit is to be established. Will it be hired or owned? The size of plot, covered and open area and the exact site will have to be decided.

9. Technology: To manufacture any item, technology is used. Information on all available technologies should be collected by the entrepreneur and the most suitable one to be identified. This will also be useful to determine the type of machinery and equipment to be installed. The entrepreneur can contact DIC, TCO etc.

10. Machinery and equipment: Having chosen the technology, the machinery and equipment required for manufacturing the chosen products have to be decided, suppliers have to be identified and their costs have to be estimated.

11. Project report preparation: The economic viability and the technical feasibility of the product selected have to be established through a project report. A project report that may now be prepared will be helpful in formulating the production, marketing, financial and management plans. It will also be useful in obtaining finance, shed, power connection, water connection, raw material quotas, etc.

12. Project appraisal: Ordinarily, project appraisal implies the assessment of a project. It is a technique for ex-ante analysis of a scheme or project.

For this, the following appraisals can be performed at the preliminary level:

- a) Economical appraisal
- b) Financial appraisal
- c) Technical appraisal
- d) Management appraisal
- e) Organizational appraisal
- f) Operational appraisal
- g) Market appraisal

13. Finance: Finance is the lifeblood of the enterprise. Entrepreneur has to take certain steps and follow specified norms of the financial institutions and banks to obtain it. A number of financial agencies provide capital assistance and venture capital for starting an enterprise. There are some agencies which provide financial assistance on concession rates. Under PMRY and REGP schemes financial assistance and subsidies are being provided to the persons who want to set up their own enterprise.

14. Provisional registration: It is always worthwhile to get the unit registered with the government. The entrepreneur has to obtain the prescribed application form for provisional registration from DIC or Directorate of Industries. After having duly filled in the application form, he has to submit the application with all relevant documents in the local DIC or Directorate of Industries. This will enable the entrepreneur to avail various government facilities, incentives and assistances schemes including financial assistance from NSIC/SFCs/KVIC.

15. Technical know-how: In some cases, technical know-how may be arranged for setting up enterprise. This can be arranged through TCOs, NSIC, SSIDC, DIC, private consultants, SISI, ED-institutes, foreign collaborators, India Investment Centre, and Industry, etc. Facilities are also available to SSI for making technical know-how arrangements including turn-key jobs.

16. Power and water connection: The sites, where the enterprise will be located, should either have adequate power connections or this should be arranged. Entrepreneur can calculate the total power requirement and determine the nearest pole from which power will be given to the enterprise as it can materially affect the installation cost. Similarly, the water connection will have to be obtained or provision should be made for adequate water supply to the firm.

17. Installation of machinery: Having completed the above formalities, the next step is to procure the machinery for installation. Machinery should preferably be installed as per the plan layout.

18. Recruitment of manpower: Once machines are installed, the need for manpower arises to run them. So the quantum and type of manpower is to be decided. This presupposes the skilled, unskilled and semiskilled labour, administrative staff etc. Further, sources of getting desired labour and staff members be indented and recruited. Possibly, the labour force has to be trained either at the entrepreneur's premises or in a training establishment.

19. Procurement of raw materials: Raw materials are the important ingredients for running an enterprise. The labour will require raw materials to work upon the installed machinery. These materials may be procured indigenously or may have to be imported by the entrepreneur.

20. Production: The unit established should have an organizational set-up. To operate optimally, the organization should employ its manpower, machinery and methods effectively. There should not be any wastage of manpower, machinery and materials. If

items are exported, then the product and its packaging must be attractive. Production of the proposed item should be taken up in two stages:

- (1) Trial production
- (2) Commercial production

Trial production will help tackling problems confronted in production and test marketing of the product. This will reduce the chances of loss is the eventuality of mistakes in project conception. Commercial production should be commenced after the test-marketing of the product.

21. *Marketing:* Marketing is the most important activity as far as the entrepreneurial development is concerned. Various aspects like how to reach the customer, distribution channels, commission structure, pricing, advertising, publicity, etc. have to be decided by the entrepreneur. Like production, marketing should also be attempted cautiously, that is, in two stages namely:

- I. Test stage
- II. Commercial marketing stage

Test marketing is necessary to save the enterprise from going into disrepute in case the product launched is not well accepted by the customers. It will also assist the entrepreneur in carrying out modifications or additions in designs and features of the product. Having successfully test marketed the product, commercial marketing can be undertaken. The entrepreneur can contact the Small industries marketing corporation.

22. *Quality assurance:* Before marketing, the product quality certification from BIS (Bureau of Indian Standards)/AGMARK/HALLMARK, etc., should be obtained depending upon the product. If there is no quality standards specified for the products, the entrepreneur should evolve his own quality control parameters. Quality, after all, ensures long term success.

23. *Permanent registration:* After the small scale unit goes into production and marketing, it becomes eligible to get permanent registration based on its provisional registration from DIC or Directorate of Industries.

24. Market research: Once the product or service is introduced in the market, there is strong need for continuous market research to assess needs and areas for modification, upgradation and growth. Market becomes waterloos for most SSI entrepreneurs as they ignore the vital day-to-day operation. Initial success should not lure the entrepreneur into a sense of complacency.

Table 6.2: Sources of information

Sl. No.	Area	State level agencies	National level agencies
1	Project selection	SISI, DIC, IDC'S, IIC's, TCO's, SFCs, SIC, IC, IEB, PTC	CB, SIDO, CSIR, DEP, IIC, IFCI, IPB, NRDC, EDI
2	Registration and licenses	CIF, DDCA, DIC, EB, GMD, SIC, WPCB, IC, LA, STC, TC	CECD, CCIE, ISI, IDC, MIC, NSIC, RC, RT, SC, DGTD
3	Finance	DIC, Bank, SFC, SIC, IICs, IDCs	CB, CEC, ICICI, IDBI, IFCI, NISC, SBI, DIC
4	Technical	DDCA, DIC, DJCII, TOCs, GMD	CIPET, CSIR, IIC, IIFT, MRDC, NSIC, RT, SBS, SISI, CITD, ICMR
5	Training	EDPs, SISI, TCDs, DICs	SBI, CB, CIPET, IRL, NISIET, IITs, NISBUT, EDI
6	Infrastructure facilities	DIC, EB, IDC, LA	-
7	Raw materials	DIC, MID, MDC, SIC, IC, STC	CCIE, MMTC, MDC, SPC
8	Plant and machinery	DIC, IIC, SFC, SEC, IC, IDB	CCIE, NSIC, SISI
9	Marketing information	DIC, TCO's, SEC, SIC, RIMCO	DEP, DGSD, CCIE, IIFT, MID, SIC, ICMR, ICAR

Table 6.3: Application forms

S. No.	Subject	Agencies
A)	Planning Stage	
1	Provisional registration number	DIC
2	Application for shed or plot	SIDC
3	No objection certificate from local authorities	LA (Local Authority)
4	No objection certificate from health department	District health officer
5	No objection certificate from electricity department	Electricity department
6	Loan application for term loan	SFC / NB / NSIC
7	Subsidy registration	DIC
8	Application for building plan and estimates	Approval of architect / contractor
9	Application for bank account / cash credits / working capital loan	NB
10	Application for air and water pollution no objection certificate	State pollution control authority
11	Application for the approval of production programme for certain restricted items	DIC, SISI, Central Ministry
12	Registration of partnership deed	Registrar of firms
13	Application for ancillary units	Parent companies
14	Registration of firms	Register of firms
15	Application for the boilers and plant layout of the unit	Inspector of Boilers
16	Application for the production of petroleum based products	Ministry of Petroleum
17	Application for Excise Registration Number	Excise Department
18	Application for Latex in rubber based products	Rubber Board
19	No objection certificate from Forest Department for wood based products	State conservation of forests
20	Applications for essential commodity items as raw Materials	District Civil Supply Department

21	Application for imported raw materials	DIC / Export-Import Boards
22	Application for imported of machines	DIC / Export-Import Boards
23	Application for raw materials quota	D / C / Export – Import Boards.
(B)	During Implementation of Project	
24	Application for power connection	Local Electricity Dept.
25	Application for water	LA
26	Application for C-Form (Sales Tax)	Sales Tax Department
27	Application for state Sales Tax Registration	Sales Tax Department
28	Application for central Sales Tax Registration	Sales Tax Department
29	Application for exemptions from Sales Tax	DIC / Sales Tax Dept.
30	Application for exemption from Octroi Duty	DIC / LA
31	Application for storing of inflammable raw material	Director of Explosives.
(C)	During Running of Enterprise	
32	Application for Permanent Registration Number	DIC / Directorate of Industries
33	Application for subsidy claims	DIC
34	Application for power subsidy	LA
35	Application for food preservation ordinance license.	Food Controller
36	Application for registration in case of more than 20 employees without power use or more than 10 employees with power use.	Labour Welfare Board / Employment Exchange / P.F. Commissioner
37	Application for product marketing to the Central Government Department	DIC, DGSD

Table 6.4: Industrial policy resolution: A summary

Year	Main objective	Principal measure	The SSI universe
IPR 1948	Protection	Raw material cheap power technical advice, marketing of products, Safeguarding against excessive	Village-based small enterprises Repairs-cum-job shops Units

		competition from large units.	using local market, raw materials, labour. Hence locally self-sufficient.
1956	Protection plus development	Protect artisan based non-tech. enterprise development. Modern SSI for Industrial and consumer goods. Provide capital and skill. Develop export based units. Achieve regional balance through SSI. Package of assistance and incentives infrastructure, technological upgradation. Reservation of items for SSI.	Tiny/cottage rural units. Modern SSI units in urban areas. Units employing labour intensive technology. New entrants to SSI-new entrepreneurs. Ancillary units. Modern SSI.
1977	Protection plus development plus promotion	Protect labour intensive technology. Promote small tiny units, promote non-urban location, promote new first generation entrepreneurs, decentralized production.	– do –
1980	Protection plus development plus promotion	Protect labour intensive technology. Promote small tiny units, promote non-urban location, promote new first generation entrepreneurs, decentralized production, nuclear plant for SSI growth, reservation products for SSI.	– do –
1990	Promotion of equality, technology and efficiency	Promotion of SSI and agro-based industries reservation of products 836 and new lines to be identified. Central investment subsidy-rural and backward areas. Technology centers for modernization. Small industry Development Bank (SIDBI). Facilities of KVIC and KVI boards to be expanded to help artisans in	– do –

		marketing. Agro-processing industry to receive high priority.	
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Impact of Globalization and Liberalization on SSI

Before the introduction of new economic reforms in 1991 following the inevitable globalization, the SSI sector was overprotected. The small scale industry never had a strong desire to grow to medium and large scale because of the benefits of protection given to it. Many of the policies also discouraged the growth of small scale units into large ones and had a stunting effect on manufacturing, employment and output growth. With the globalization, the SSIs are now exposed to sever competition both from large scale sector, domestic and foreign and MNCs. The effect of globalization can be summarized as below.

- (1) The new policies of the government towards liberalization and globalization without ensuring the interest or priority of small-scale sector resulted in poor growth rate of SSI sector. The SSI sector has suffered because of the lending institutions and promotional agencies, whose main agenda is to serve big units and multinationals.
- (2) The problems of SSI in liberalized environment have become multidimensional delay in implementation of project, inadequate availability of finance and credit, marketing problems, cheap and low quality products, technological obsolescence, lack of infrastructural facilities, deficient managerial and technical skills, to name some.
- (3) Globalization resulted in opening up of markets, leading to intense competition. For example, the World Trade Organization (WTO) regulates multilateral trade, requiring its member countries to remove its import quotas, restrictions and reduce import tariffs. India was also asked to remove quantitative restrictions on import by 2001 and all export subsidies by 2003. As a result every enterprise in India whether small-scale or large scale has to face competition. The process was initiated for

small-scale units by placing 586 of its 812 reserved items on the open general license list of imports.

(4) With the removal of restrictions of foreign direct investment(FDI), multinational companies entered India which further intensified the competition in the domestic market. The 1990's witnessed the entry of multinational companies in areas such as automobiles, electronics and IT based sectors. In the changed environment after globalization and liberalization, the policies and projects for the SSI sectors will have to be effective and growth oriented (not just protecting) so as to achieve competitiveness. In order to protect, support and promote small enterprises, a number of protective and promotional measures have been undertaken by the central government. The promotional measures cover the following:

- Industrial extension services
- Institutional support in respect of credit facilities
- Provision of developed sites for construction of sheds
- Provision of training facilities
- Supply of machinery on hire purchase terms
- Assistance for domestic marketing as well as exports
- Special intensive for setting up enterprises in backward areas
- Technical consultancy and financial assistance for technological upgradation

Impact of WTO/GATT on SSI

The challenges to the small-scale sector are due to the impact of agreements under WTO. The setting up of the WTO in 1995 has altered the framework of international trade towards non-distortive, market oriented policies. This is in keeping with the policy shift that occurred world wide in favour of the free market forces and tilt away from state regulation/intervention in economic activity. This is likely to lead to an expansion in the volume of international trade and changes in the pattern of commodity flows. The main outcome of WTO stipulated requirements will be brought about through reduction in export subsidies, greater market access, removal of non-tariff barriers and reduction in tariffs.

There will also be tighter patent laws through regulation of intellectual property rights under Trade-Related Intellectual Property Rights (TRIPS) Agreements, which laid down what is to be patented, for what duration and on what terms.

Increased market access to imports will mean opening up the domestic market to large flows of imports. The removal of quantitative restrictions on imports of these items will soon be freed from all restrictions as announced in the recent import-export policy. Increased market access will also mean that our industries can compete for export markets in both developed and developing countries. But the expected surge in our exports can come about only if SSI sector is restructured to meet the demands of global competitiveness, which is the key to the future of small industries in present contest.

SSIs have to face threats and also avail opportunities owing to the WTO and its agreements. The main opportunities of the WTO are classified into three. Firstly, national treatment of exportable items across the countries all over the world, with better market access through the internet. Second, enlightened entrepreneurs have greater opportunities to benefit from their comparative advantages due to lowering of tariffs and dismantling of other restrictions. Finally, industries that are in constant touch with government, which in turn negotiates in their best interests in the on-going dialogue with the WTO, are going to benefit. India has real chance of becoming superpower in the service sector, particularly IT. It has already captured about 25 percent of world exports.

Support

Meaning and Need for Support

Finance is one of the essential requirements of any line of activity. Before actually setting up their units, small entrepreneurs need to know very clearly about the type and extent of their financial requirements. Integral to financial requirements is to know about the possible alternative sources from which finance can be availed of. Given the shortage of own funds, the Government of India as a part of its policy of promotion of small-scale sector in the country, has set up a host of institutions to meet the financial requirements of small entrepreneurs. Starting an industrial unit require various resources and facilities. Small scale enterprises, given their small resources, find it difficult to have these own. Finance has been an important resource to start and run an enterprise because it facilitates the entrepreneur to procure land, labour, material, machine and so on from different parties

to run his/her enterprise. Hence finance is considered as “life blood” for an enterprise. Recognizing it, the Government through her financial institutions and nationalized banks, has come forward to help small entrepreneurs provide them funds. Admittedly, finance is an important resource but not the only condition to run an enterprise. In order to start any economic activities, a minimum level of prior built up of infrastructural facilities is needed. Financial assistance and concessions cannot, in any case, adequately compensate for the deficiencies of infrastructure such as transport and communication. This is one of the reasons why industries have not been developing in backward areas in spite of financial assistance and concessions given by the

Government to the entrepreneurs to establish industries in backward areas. Creation of infrastructural facilities involves huge funds which the small entrepreneurs do lack. In view of this, various central and state government institutions have come forward to help small entrepreneurs in this regard by providing them various kinds of support and facilities. Availability of institutional support helps make the economic environment more conducive to business or industry. The various kinds of support and facilities provided are discussed in the next section.

Agencies of Government for SSI

The ministry of small scale industries is the administrative ministry in the Government of India for all matters relating to small scale and village industries which designs and implements policies and programmes for promotion and growth of small industries. The Department of small-scale industries was created in 1991, in the Ministry of Industry to exclusively formulate the policy framework for promoting and developing small-scale industries in the country. It initiates appropriate policy measures, programmes and schemes for promotion of SSI. The policy measures include setting up of a network of institutions to render assistance and to provide a comprehensive range of services and common facilities for SSIs. The range of services cover consultancy in techno-economic and managerial aspects, training, testing facilities, and marketing assistance through the agencies created for the specified functions. These activities are supported by a host of other central/state government departments, promotional agencies, autonomous institutions, non-government organizations and so on.

The implementation of policies, programmes and schemes for providing infrastructure and support services to small enterprises is undertaken through its attached office, namely Small Industries Development Organization (SIDO), Khadi Village and Industry Commission (KVIC) and Coir Board, National Small Industry Corporation (NSIC) and various training institutes. The institutional network can be broadly classified as under and is shown in fig. 6.2.

- (1) Central level institutions/agencies
- (2) State level institutions/agencies
- (3) Other agencies

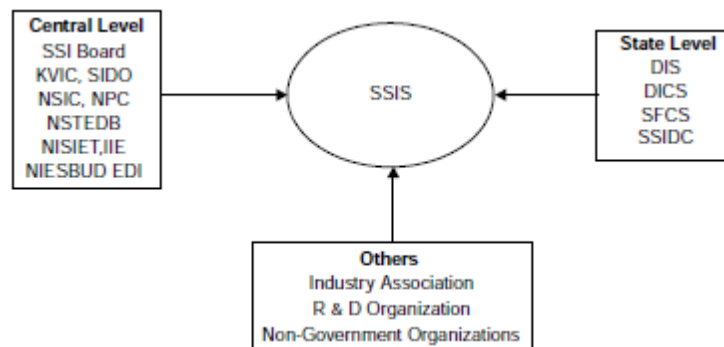


Fig : Institutions supporting small-scale industries

Nature and types of Supports

Policy Support

- (1) The investment limit for the tiny sector will continue to be Rs. 25 lakh.
- (2) The investment limit for the SSI sector will continue to be at Rs. 1 crore.
- (3) The ministry of SSI and ARI will bring out a specific list of hi-tech and export oriented industries which would require the investment limit to be raised upto Rs. 5 crore to admit suitable technology upgradation and to enable them to maintain their competitive edge.
- (4) The Limited Partnership Act will be drafted quickly and enacted. Attempt will be made to bring the bill before the next session of parliament.

Fiscal Support

To improve the competitiveness of small-scale sector the exemption for excise duty Limit rose from Rs. 50 lakhs to Rs. 1 crore.

- (1) The composite loans limit rose from Rs. 10 lakh to Rs. 25. lakh.
- (2) The Small-Scale Service and Business (Industry Related) Enterprises (SSSBES) with a maximum investment of Rs. 10 lakhs will qualify for priority lending.
- (3) In the National Equity Fund Scheme, the project cost limit will be raised from Rs 25 lakh to Rs 50 lakh. The soft loan limit will be retained it 25 percent of the project cost subject to a maximum of Rs. 10 lakh per project. Assistance under the NEF will be provided at a service charge of 5 percent per annum.
- (4) The eligibility limit for coverage under the recently launched (August, 2000) Credit Guarantee Scheme has been revised to Rs. 25 lakh from the present limit of Rs. 10 lakh.
- (5) The Department of Economic Affairs will appoint a Task Force to suggest revitalization/restructuring of the State Finance Corporations.
- (6) The Nayak Committee's recommendations regarding provision of 20 percent of the projected turnover as working capital is being recommended to the financial institutions and banks.

Infrastructure Support

- (1) The Integrated Infrastructure Development (IID) Scheme will progressively cover all areas in the country with 50 percent reservation for rural areas.
- (2) Regarding upgrading Industrial Estates which are languishing, the Ministry of SSI and ARI will draw up a detailed scheme for the consideration of the planning commission.
- (3) A plan scheme for cluster Development will be drawn up.
- (4) The Funds available under the non-lapsable pool for the North-East will be used for Industrial Infrastructure Development, setting up of incubation centers, for cluster Development and for setting up of IIDs in the North-East including Sikkim.

Technological Support and Quality Improvement

- (1) Capital subsidy of 12 percent for investment in technology in selected sectors. An Inter-ministerial committee of Experts will be set up to define the scope of technology upgradation and sectorial priorities.
- (2) To encourage Total Quality Management, the scheme of granting Rs. 75,000/- to each unit for opting ISO-9000 Certification will continue for the next six years i.e., till the end of the 10th plan.
- (3) Setting up of incubation centers in Sunrise Industries will be supported.
- (4) The TBSE set up by SIDBI will be strengthened so that it functions effectively as a Technology Bank. It will be properly networked with NSIC, SIDO (SENET programme) and APCTT.
- (5) SIDO, SIDBI and NSIC will jointly prepare a compendium of available technologies for the R & D institutions in India and Abroad and circulate it among industry associations for the dissemination of the latest technology related information.
- (6) Commercial banks are being requested to develop schemes to encourage investment in technology upgradation and harmonize the same with SIDBI.
- (7) One-time capital grant of 50 percent will be given to Small-Scale Associations which wish to develop and operate Testing Laboratories, provided they are of international standard.

Marketing Support

- (1) SIDO will have a Market Development Assistance (MDA) programme, similar to one obtaining in the Ministry of Commerce and Industry. It will be a plan scheme.
- (2) The vendor Development Programme, Buyer-Seller meets and Exhibitions will take place more often and at dispersed locations.

Informational Support

- (1) General information.
- (2) Technical/Marketing expertise in specific areas.
- (3) Technical and financial expertise.
- (4) Implementation assistance for turn-key projects.

Incentives and Subsidies

- (1) Export-import subsidies.
- (2) Interest free loans.
- (3) Subsidy for R & D work.
- (4) Capital investment subsidy.
- (5) Transport subsidy.
- (6) Interest subsidy.
- (7) Subsidy for power generation.
- (8) Exemption from property tax.
- (9) Incentives for NRI
- (10) Exemption from income tax.
- (11) Sales tax exemptions.
- (12) Price preference to SSIs.
- (13) Subsidy/assistance for technical consultancy.
- (14) Exemptions from stamp duty.
- (15) Provisional for seed capital.
- (16) Allotment of controlled or subsidized raw materials.
- (17) Subsidy for cost of market study/feasibility study or reports.

Other Types of Support

- (1) Streamlining Rules and Regulations.
- (2) Entrepreneurship development training.
- (3) Rehabilitation of sick units.

Ancillary, Tiny and Service Industries

An ancillary unit is one, which sells not less than 50 % of its manufactures to one or more industrial units. The limit of investment is same for ancillary units and smallscale industries.

The investment limit for tiny industry is Rs. 25 lakh in plant and machinery. There is no restrictive condition of the location of the unit in small towns. These enterprises would be entitled to preference in land allocations, power connection, access to facilities or

skill/technical upgradation. These would also have easy access to institutional finance, priority in Government purchases and relaxation in labor laws. Service units provide services such as hotel and hospital services. The investment ceiling is fixed at Rs. 1.0 million (excluding land and buildings).

Start Up India

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Module 5- Small Scale Industry/ Start Up India

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Section 1

Introduction

Startup India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design.

In order to meet the objectives of the initiative, Government of India is announcing this Action Plan that addresses all aspects of the Startup ecosystem. With this Action Plan the Government hopes to accelerate spreading of the Startup movement:

- From digital/ technology sector to a wide array of sectors including agriculture, manufacturing, social sector, healthcare, education, etc.; and
- From existing tier 1 cities to tier 2 and tier 3 cities including semi-urban and rural areas. The Action Plan is divided across the following areas:
 - Simplification and Handholding
 - Funding Support and Incentives
 - Industry-Academia Partnership and Incubation

Section 2 .1 - Simplification and Handholding

1. Compliance Regime based on Self-Certification

Objective

To reduce the regulatory burden on Startups thereby allowing them to focus on their core business and keep compliance cost low

Details

Regulatory formalities requiring compliance with various labour and environment laws are time consuming and difficult in nature. Often, new and small firms are unaware of nuances of the issues and can be subjected to intrusive action by regulatory agencies. In order to make compliance for Startups friendly and flexible, simplifications are required in the regulatory regime.

Accordingly, the process of conducting inspections shall be made more meaningful and simple. Startups shall be allowed to self-certify compliance (through the Startup mobile app) with 9 labour and environment laws (refer below). In case of the labour laws, no inspections will be conducted for a period of 3 years. Startups may be inspected on receipt of credible and verifiable complaint of violation, filed in writing and approved by at least one level senior to the inspecting officer.

In case of environment laws, Startups which fall under the 'white category' (as defined by the Central Pollution Control Board (CPCB)) would be able to self-certify compliance and only random checks would be carried out in such cases.

Labour Laws:

- The Building and Other Constructions Workers' (Regulation of Employment & Conditions of Service) Act, 1996
- The Inter-State Migrant Workmen (Regulation of Employment & Conditions of Service) Act, 1979
- The Payment of Gratuity Act, 1972
- The Contract Labour (Regulation and Abolition) Act, 1970
- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- The Employees' State Insurance Act, 1948

Environment Laws:

- The Water (Prevention & Control of Pollution) Act, 1974
- The Water (Prevention & Control of Pollution) Cess (Amendment) Act, 2003
- The Air (Prevention & Control of Pollution) Act, 1981

2. Startup India Hub

Objective

To create a single point of contact for the entire Startup ecosystem and enable knowledge exchange and access to funding

Details

Young Indians today have the conviction to venture out on their own and a conducive ecosystem lets them watch their ideas come to life. In today's environment we have more Startups and entrepreneurs than ever before and the movement is at the cusp of a revolution. However, many Startups do not reach their full potential due to limited guidance and access.

The Government of India has taken various measures to improve the ease of doing business and is also building an exciting and enabling environment for these Startups, with the launch of the "Startup India" movement.

The "Startup India Hub" will be a key stakeholder in this vibrant ecosystem and will:

- Work in a hub and spoke model and collaborate with Central & State governments, Indian and foreign VCs, angel networks, banks, incubators, legal partners, consultants, universities and R&D institutions
- Assist Startups through their lifecycle with specific focus on important aspects like obtaining financing, feasibility testing, business structuring advisory, enhancement of marketing skills, technology commercialization and management evaluation
- Organize mentorship programs in collaboration with government organizations, incubation centers, educational institutions and private organizations who aspire to foster innovation.

To all young Indians who have the courage to enter an environment of risk, the Startup India Hub will be their friend, mentor and guide to hold their hand and walk with them through this journey.

3.Rolling-out of Mobile App and Portal

Objective

To serve as the single platform for Startups for interacting with Government and Regulatory Institutions for all business needs and information exchange among various stakeholders

Details

In order to commence operations, Startups require registration with relevant regulatory authorities. Delays or lack of clarity in registration process may lead to delays in establishment and operations of Startups, thereby reducing the ability of the business to get bank loans, employ workers and generate incomes. Enabling registration process in an easy and timely manner can reduce this burden significantly.

Besides, Startups often suffer from the uncertainty regarding the exact regulatory requirements to set up its operations. In order to ensure that such information is readily available, it is intended that a checklist of required licenses covering labour licensing, environmental clearances etc. be made available. Currently, the Startup ecosystem in India also lacks formal platform(s) for Startups to connect and collaborate with other ecosystem partners.

Towards these efforts, the Government shall introduce a Mobile App to provide on-the-go accessibility for:

- Registering Startups with relevant agencies of the Government. A simple form shall be made available for the same. The Mobile App shall have backend integration with Ministry of Corporate Affairs and Registrar of Firms for seamless information exchange and processing of the registration application
- Tracking the status of the registration application and anytime downloading of the registration certificate. A digital version of the final registration certificate shall be made available for downloading through the Mobile App
- Filing for compliances and obtaining information on various clearances/ approvals/ registrations required
- Collaborating with various Startup ecosystem partners. The App shall provide a collaborative platform with a national network of stakeholders (including venture funds, incubators, academia, mentors etc.) of the Startup ecosystem to have discussions towards enhancing and bolstering the ecosystem
- Applying for various schemes being undertaken under the Startup India Action Plan

The App shall be made available from April 01, 2016 on all leading mobile/ smart devices' platforms. The Startup portal shall have similar functionalities (being offered through the mobile app) using a richer web-based User Interface.

4. Legal Support and Fast-tracking Patent Examination at Lower Costs

Objective

To promote awareness and adoption of IPRs by Startups and facilitate them in protecting and commercializing the IPRs by providing access to high quality Intellectual Property services and resources, including fast-track examination of patent applications and rebate in fees.

Details

Intellectual Property Rights (IPR) are emerging as a strategic business tool for any business organization to enhance industrial competitiveness. Startups with limited resources and manpower, can sustain in this highly competitive world only through continuous growth and development oriented innovations; for this, it is equally crucial that they protect their IPRs. The scheme for Startup Intellectual Property Protection (SIPP) shall facilitate filing of Patents, Trademarks and Designs by innovative Startups. Various measures being taken in this regard include:

- Fast-tracking of Startup patent applications: The valuation of any innovation goes up immensely, once it gets the protective cover of a patent. To this end, the patent application of Startups shall be fast-tracked for examination and disposal, so that they can realize the value of their IPRs at the earliest possible.
- Panel of facilitators to assist in filing of IP applications: For effective implementation of the scheme, a panel of “facilitators” shall be empanelled by the Controller General of Patents, Designs and Trademarks (CGPDTM), who shall also regulate their conduct and functions. Facilitators will be responsible for providing general advisory on different IPRs as also information on protecting and promoting IPRs in other countries. They shall also provide assistance in filing and disposal of the IP applications related to patents, trademarks and designs under relevant Acts, including appearing on behalf of Startups at hearings and contesting opposition, if any, by other parties, till final disposal of the IPR application.
- Government to bear facilitation cost: Under this scheme, the Central Government shall bear the entire fees of the facilitators for any number of patents, trademarks or designs that a Startup may file, and the Startups shall bear the cost of only the statutory fees payable.
- Rebate on filing of application: Startups shall be provided an 80% rebate in filing of patents vis-a-vis other companies. This will help them pare costs in the crucial formative years.

The scheme is being launched initially on a pilot basis for 1 year; based on the experience gained, further steps shall be taken.

5. Relaxed Norms of Public Procurement for Startups

Objective

To provide an equal platform to Startups (in the manufacturing sector) vis-à-vis the experienced entrepreneurs/ companies in public procurement

Details

Typically, whenever a tender is floated by a Government entity or by a PSU, very often the eligibility condition specifies either “prior experience” or “prior turnover”. Such a stipulation prohibits/ impedes Startups from participating in such tenders.

At present, effective April 1, 2015 Central Government, State Government and PSUs have to mandatorily procure at least 20% from the Micro Small and Medium Enterprise (MSME).

In order to promote Startups, Government shall exempt Startups (in the manufacturing sector) from the criteria of “prior experience/ turnover” without any relaxation in quality standards or technical parameters. The Startups will also have to demonstrate requisite capability to execute the project as per the requirements and should have their own manufacturing facility in India.

6.Faster Exit for Startups

Objective

To make it easier for Startups to wind up operations

Details

Given the innovative nature of Startups, a significant percentage fail to succeed. In the event of a business failure, it is critical to reallocate capital and resources to more productive avenues and accordingly a swift and simple process has been proposed for Startups to wind-up operations. This will promote entrepreneurs to experiment with new and innovative ideas, without having the fear of facing a complex and long-drawn exit process where their capital remain interminably stuck.

The Insolvency and Bankruptcy Bill 2015 (“IBB”), tabled in the Lok Sabha in December 2015 has provisions for the fast track and / or voluntary closure of businesses.

In terms of the IBB, Startups with simple debt structures or those meeting such criteria as may be specified may be wound up within a period of 90 days from making of an application for winding up on a fast track basis. In such instances, an insolvency professional shall be appointed for the Startup, who shall be in charge of the company (the promoters and management shall no longer run the company) for liquidating its assets and paying its creditors within six months of such appointment. On appointment of the insolvency professional, the liquidator shall be responsible for the swift closure of the business, sale of assets and

repayment of creditors in accordance with the distribution waterfall set out in the IBB. This process will respect the concept of limited liability.

Section 2.2: Funding Support and Incentives

7. Providing Funding Support through a Fund of Funds with a Corpus of INR 10,000 crore

Objective

To provide funding support for development and growth of innovation driven enterprises

Details

One of key challenges faced by Startups in India has been access to finance. Often Startups, due to lack of collaterals or existing cash flows, fail to justify the loans. Besides, the high risk nature of Startups wherein a significant percentage fail to take-off, hampers their investment attractiveness.

In order to provide funding support to Startups, Government will set up a fund with an initial corpus of INR 2,500 crore and a total corpus of INR 10,000 crore over a period 4 years (i.e. INR 2,500 crore per year) . The Fund will be in the nature of Fund of Funds, which means that it will not invest directly into Startups, but shall participate in the capital of SEBI registered Venture Funds.

Key features of the Fund of Funds are highlighted below:

- The Fund of Funds shall be managed by a Board with private professionals drawn from industry bodies, academia, and successful Startups
- Life Insurance Corporation (LIC) shall be a co-investor in the Fund of Funds
- The Fund of Funds shall contribute to a maximum of 50% of the stated daughter fund size. In order to be able to receive the contribution, the daughter fund should have already raised the balance 50% or more of the stated fund size as the case maybe. The Fund of Funds shall have representation on the governance structure/ board of the venture fund based on the contribution made.
- The Fund shall ensure support to a broad mix of sectors such as manufacturing, agriculture, health, education, etc.

8. Credit Guarantee Fund for Startups

Objective

To catalyse entrepreneurship by providing credit to innovators accross all sections of society

Details

In order to overcome traditional Indian stigma associated with failure of Startup enterprises in general and to encourage experimentation among Startup

entrepreneurs through disruptive business models, credit guarantee comfort would help flow of Venture Debt from the formal Banking System.

Debt funding to Startups is also perceived as high risk area and to encourage Banks and other Lenders to provide Venture Debts to Startups, Credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/ SIDBI is being envisaged with a budgetary Corpus of INR 500 crore per year for the next four years.

9. Tax Exemption on Capital Gains

Objective

To promote investments into Startups by mobilizing the capital gains arising from sale of capital assets

Details

Due to their high risk nature, Startups are not able to attract investment in their initial stage. It is therefore important that suitable incentives are provided to investors for investing in the Startup ecosystem. With this objective, exemption shall be given to persons who have capital gains during the year, if they have invested such capital gains in the Fund of Funds recognized by the Government.

This will augment the funds available to various VCs/AIFs for investment in Startups.

In addition, existing capital gain tax exemption for investment in newly formed manufacturing MSMEs by individuals shall be extended to all Startups. Currently, such an entity needs to purchase “new assets” with the capital gain received to avail such an exemption. Investment in ‘computer or computer software’ (as used in core business activity) shall also be considered as purchase of ‘new assets’ in order to promote technology driven Startups.

10. Tax Exemption to Startups for 3 years

Objective

To promote the growth of Startups and address working capital requirements

Details

Innovation is the essence of every Startup. Young minds kindle new ideas every day to think beyond conventional strategies of the existing corporate world.

During the initial years, budding entrepreneurs struggle to evaluate the feasibility of their business idea. Significant capital investment is made in embracing ever-changing technology, fighting rising competition and navigating through the unique challenges arising from their venture. Also, there are limited alternative sources of finance available to the small and growing entrepreneurs, leading to constrained cash funds.

With a view to stimulate the development of Startups in India and provide them a competitive platform, it is imperative that the profits of Startup initiatives are exempted from income-tax for a period of 3 years. This fiscal exemption shall facilitate growth of business and meet the working capital requirements during

the initial years of operations. The exemption shall be available subject to non-distribution of dividend by the Startup.

11. Tax Exemption on Investments above Fair Market Value

Objective

To encourage seed-capital investment in Startups

Details

Under The Income Tax Act, 1961, where a Startup (company) receives any consideration for issue of shares which exceeds the Fair Market Value (FMV) of such shares, such excess consideration is taxable in the hands of recipient as Income from Other Sources.

In the context of Startups, where the idea is at a conceptualization or development stage, it is often difficult to determine the FMV of such shares. In majority of the cases, FMV is also significantly lower than the value at which the capital investment is made. This results into the tax being levied under section 56(2) (viib).

Currently, investment by venture capital funds in Startups is exempted from operations of this provision. The same shall be extended to investment made by incubators in the Startups

2.3: Industry-Academia Partnership and Incubation

12. Organizing Startup Fests for Showcasing Innovation and Providing Collaboration Platform

Objective

To galvanize the Startup ecosystem and to provide national and international visibility to the Startup ecosystem in India

Details

A pivotal component for growth of Startups is regular communication and collaboration within the Startup community, both national as well international. An effective Startup ecosystem can't be created by the Startups alone. It is dependent on active participation of academia, investors, industry and other stakeholders.

To bolster the Startup ecosystem in India, the Government is proposing to introduce Startup fests at national and international stages.

These fests would provide a platform to Startups in India to showcase their ideas and work with a larger audience comprising of potential investors, mentors and fellow Startups.

As part of "Make in India" initiative, Government proposes to:

- Hold one fest at the national level annually to enable all the stakeholders of Startup ecosystem to come together on one platform.

- Hold one fest at the international level annually in an international city known for its Startup ecosystem.

The fests shall have activities such as sessions to connect with investors, mentors, incubators and Startups, showcasing innovations, exhibitions and product launches, pitches by Startups, mentoring sessions, curated Startup walks, talks by disruptive innovators, competitions such as Hackathon, Makerspace, etc., announcements of rewards and recognitions, panels and conferences with industry leaders, etc.

13. Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program

Objective

To serve as a platform for promotion of world-class Innovation Hubs, Grand Challenges, Startup businesses and other self-employment activities, particularly in technology driven areas

Details

The Atal Innovation Mission (AIM) shall have two core functions:

- Entrepreneurship promotion through Self-Employment and Talent Utilization (SETU), wherein innovators would be supported and mentored to become successful entrepreneurs
- Innovation promotion: to provide a platform where innovative ideas are generated

The main components proposed to be undertaken as part of the mission include:

Entrepreneurship promotion:

- Establishment of sector specific Incubators including in PPP mode (refer #14 of this Action Plan)
- Establishment of 500 Tinkering Labs
- Pre-incubation training to potential entrepreneurs in various technology areas in collaboration with various academic institutions having expertise in the field
- Strengthening of incubation facilities in existing incubators and mentoring of Startups
- Seed funding to potentially successful and high growth Startups

Innovation promotion:

- Institution of Innovation Awards (3 per state/UT) and 3 National level awards

- Providing support to State Innovation Councils for awareness creation and organizing state level workshops/conferences
- Launch of Grand Innovation Challenge Awards for finding ultra-low cost solutions to India's pressing and intractable problems

14. Harnessing Private Sector Expertise for Incubator Setup

Objective

To ensure professional management of Government sponsored / funded incubators, Government will create a policy and framework for setting-up of incubators across the country in public private partnership

Details

India currently lacks availability of incubation facilities across various parts of the country. Incubation facilities typically include physical infrastructure, provision of mentorship support, access to networks, access to market, etc. Of all these features, physical infrastructure entails large capital investments which can generally be facilitated by the Government. However, requisite skills for operating an incubator are pivotal as well, for which expertise of the private sector needs to be leveraged. Considering this, Government shall encourage setting up of;

- 35 new incubators in existing institutions. Funding support of 40% (subject to a maximum of INR 10 crore) shall be provided by Central Government for establishment of new incubators for which 40% funding by the respective State Government and 20% funding by the private sector has been committed. The incubator shall be managed and operated by the private sector.
- 35 new private sector incubators. A grant of 50% (subject to a maximum of INR 10 crore) shall be provided by Central Government for incubators established by private sector in existing institutions. The incubator shall be managed and operated by the private sector.

The funding for setting up of the incubators shall be provided by NITI Aayog as part of Atal Innovation Mission (refer #13 of this Action Plan). Participating departments and agencies for setting up of new incubators shall be Department of Science and Technology, Department of Biotechnology, Department of Electronics and Information Technology, Ministry of Micro, Small and Medium Enterprises, Department of Higher Education, Department of Industrial Policy and Promotion and NITI Aayog.

Each of the above mentioned departments/agencies would enter into a standard MoU with identified private sector players for creation of academia-industry tie-ups for nurturing innovations in academic institutions.

15. Building Innovation Centers at National Institutes

Objective

To propel successful innovation through augmentation of incubation and R&D efforts

Details

In order to augment the incubation and R&D efforts in the country, the Government will set up/ scale up 31 centres (to provide facilities for over 1,200 new Startups) of innovation and entrepreneurship at national institutes, including:

- Setting-up 13 Startup centres: Annual funding support of INR 50 lakhs (shared 50:50 by DST and MHRD) shall be provided for three years for encouraging student driven Startups from the host institute.
- Setting-up/ Scaling-up 18 Technology Business Incubators (TBIs) at NITs/IITs/IIMs etc. as per funding model of DST with MHRD providing smooth approvals for TBI to have separate society and built up space.

Startup Centres		Technology Business Incubators		
RGIIM Shillong	NIT Goa	MANIT Bhopal	IISER Bhopal	NIT Warangal
NIT Delhi	NIT Agartala	NIT Rourkela	IIM Rohtak	MNITJaipur
MNIT Allahabad	NIT Silchar	NIT Jalandhar	IIT Mandi	NIT Tiruchirappalli
VNIT Nagpur	IIT Bhubaneswar	IIM Udaipur	IISER Mohali	IIT Patna
IIITDM Kancheepuram	NIT Patna	NIT Calicut	IIT Roorkee	
PDPM-IIITDM Jabalpur	NIT Arunachal Pradesh	IIT Ropar	IIM Kozhikode	
ABVIITM Gwalior		IISER Thiruvananthapuram	IIM Raipur	

16. Setting up of 7 New Research Parks Modeled on the Research Park Setup at IIT Madras

Objective

To propel successful innovation through incubation and joint R&D efforts between academia and industry

Details

- The Government shall set up 7 new Research Parks in institutes indicated below with an initial investment of INR 100 crore each. The Research Parks shall be modeled based on the Research Park setup at IIT Madras.

- The IIT Madras Research Park endeavors to enable companies with a research focus to set up a base in the Park and leverage the expertise of IIT Madras. The Research Park breaks down the traditional, artificial barriers of innovation through its connectivity and collaborative interaction. This helps industry to create, integrate and apply advancements in knowledge. It leverages best practices from successful Research Parks such as those at Stanford, MIT and Cambridge.

The guiding principles behind the park include:

- Creating a collaborative environment between industry and academia through joint research projects and consulting assignments.
- Creating a self-sustaining and technologically fertile environment.
- Encouraging and enabling R&D activities and Startups that are aligned to potential needs of the industry.
- Providing world class infrastructure for R&D activities and incubation.
- Enabling development of high quality personnel and motivating professional growth for researchers in companies through part time Masters and PhD Programs.

17. Promoting Startups in the Biotechnology Sector

Objectives

To foster and facilitate bio-entrepreneurship

Details

The Biotechnology sector in India is on a strong, growth trajectory. Department of Biotechnology endeavors to scale up the number of Startups in the sector by nurturing approximately 300-500 new Startups each year to have around 2,000 Startups by 2020. In order to promote Startups in the sector, The Department of Biotechnology shall be implementing the following measures along with its Public Sector Undertaking Biotechnology Research Assistance Council (BIRAC):

Bio-incubators, Seed Fund and Equity Funding:

- 5 new Bio-clusters, 50 new Bio-Incubators, 150 technology transfer offices and 20 Bio-Connect offices will be set up in research institutes and universities across India.
- Biotech Equity Fund – BIRAC AcE Fund in partnership with National and Global Equity Funds (Bharat Fund, India Aspiration Fund amongst others) will provide financial assistance to young Biotech Startups.

Encouraging and leveraging global partnerships:

- Bengaluru-Boston Biotech Gateway to India has been formed. Letter of Intent has been signed between DBT, GoI and Department of IT, Government of Karnataka for the same. Through this initiative, a range of institutes in Boston

(Harvard/ MIT) and Bengaluru will be able to connect to share ideas and mentor the entrepreneurs especially in the areas of Genomics, Computational Biology, Drug Discovery and new vaccines.

- Amplification of Bio-entrepreneurship through BIRAC Regional Entrepreneurship Centres (BREC). The BREC aims to impart bio-entrepreneurs with the necessary knowledge and skills required for converting innovative ideas into successful ventures. Department of Biotechnology shall set up 5 Regional centres or Mini-BIRACs in the next 5 years.

18. Launching of Innovation Focused Programs for Students

Objective

To foster a culture of innovation in the field of Science and Technology amongst students

Details

In order to promote research and innovation among young students, the Government shall implement the following measures:

- Innovation Core. Innovation Core program shall be initiated to target school kids with an outreach to 10 lakh innovations from 5 lakh schools. One lakh innovations would be targeted and the top 10,000 innovations would be provided prototyping support. Of these 10,000 innovations, the best 100 would be shortlisted and showcased at the Annual Festival of Innovations in the Rashtrapati Bhavan.
- NIDHI: A Grand Challenge program ("National Initiative for Developing and Harnessing Innovations) shall be instituted through Innovation and Entrepreneurship Development Centres (IEDCs) to support and award INR 10 lakhs to 20 student innovations from IEDCs.
- Uchhattar Avishkar Yojana: A joint MHRD-DST scheme which has earmarked INR 250 crore per annum towards fostering "very high quality" research amongst IIT students. The funding towards this research will be 50% contribution from MHRD, 25% from DST and 25% from industry. This format has been devised to ensure that the research and funding gets utilized bearing in mind its relevance to the industry. Each project may amount to INR 5 crore only. This scheme will initially apply to IITs only.

19. Annual Incubator Grand Challenge

Objective

To support creation of successful world class incubators in India

Details

For a new idea to become a successful commercial venture, adequate support and mentoring at various stages of the business lifecycle is required. Incubators play an important role in identifying early stage Startups and supporting them across various phases of their lifecycle. In order to build an effective Startup ecosystem,

it is imperative that world class incubators, adopting leading industry practices, are setup in the country.

The Government is proposing to make forward looking investments towards building world class incubators. In its first phase, the aim is to establish 10 such incubators. To enable this, GoI shall identify and select 10 incubators who have the potential to become world class. These incubators would be given INR 10 crore each as financial assistance which may be used for ramping up the quality of service offerings. The incubators shall also become reference models for other incubators aspiring to offer best-in-class services. Video interviews of these incubators would be showcased on the Startup India portal.

An “Incubator Grand Challenge” exercise shall be carried out for identification of these incubators. The exercise shall entail:

- Open invitation of applications from incubators
- Screening and evaluation based on pre-defined Key Performance Indicators (KPIs) The Incubator Grand Challenge shall be an annual exercise.

Karnataka Startup Policy 2015-2020

Introduction

As per the Global Startup Ecosystem Ranking Report 2015, “Bangalore is home to approximately 3,100 to 4,900 active tech startups and has achieved the second highest growth rate for exit volume and VC investment among the top 20. As a result, Bangalore moved up four positions to #15 in 2015, advancing from #19 in the 2012 ranking”. As per this report

Bengaluru is the only Indian city to be ranked within the best twenty start-up ecosystems across the world. The State’s long and sustained leadership in driving the IT economy and conducive R&D ecosystems have contributed to this. The existing policy framework of Government of Karnataka, mainly the i4 (IT, ITES, Innovations and Incentives Policy 2014-2019), ESDM, AVGC policies and the Industries Policy 14-19, recognized the importance of promoting startups and the need to give the necessary impetus to tech- entrepreneurship early in the day, and has invested on building incubation spaces in partnership with industry bodies; encouraging innovation in educational institutions through its New age incubation network; providing seed capital and other incentives. In 2015, close to 35% of Indian startups functioned from the state, making it the single largest startup hub in the country.

Small businesses have been in fact the largest job providers and a vibrant startup ecosystem driven by innovation can be a key to better employment opportunities for the youth and have widespread positive impact on the economy. Social innovation could have wide-ranging beneficial impacts on quality of life as it could improve accessibility to health care; introduce environmentally-friendly technologies etc.

Karnataka is poised for the next phase of growth in startup sector as the potential to leverage the existing ecosystem in Bengaluru and build similar eco-systems in two-tier cities is tremendous. With the projections of being the largest conglomeration of IT professionals by 2020, Bangalore is well placed to also be amongst the top 5 startup ecosystems in the world in the near future. The objective of the State is to ensure that Bengaluru maintains the lead position in the country and to develop other important cities as startup destinations on par with top 30 international startup hubs.

Vision: To create a world-class startup ecosystem in the state through strategic investment and policy interventions leveraging the robust innovation climate in Bangalore.

Goals:

- a) Stimulate the growth of 20000 technology based startups including 6000 product startups by 2020 in Karnataka
- b) Achieve creation of 6 lakh direct and 12 lakh indirect new employments in the sector
- c) Mobilize Rs. 2000 Cr funding for investment in startups through Government intervention alone, by leveraging the Fund of Funds proposed to be put in place by the State Government
- d) Facilitate generation of at least 25 Innovative Technology solutions with a social impact in the sectors like Health care, Food Security, Clean environment and Education for all etc.

Strategies:

Encouraging Entrepreneurship in Education through NAIN

Innovation is second nature to man. This policy document recognizes the fact that the seeds of entrepreneurship and the innate ability to innovate must be nurtured in academic institutions. It is the need of the hour to develop a culture that produces innovators who dare to dream an original idea and pursue it till fruition. The State would therefore work towards creating such an ecosystem in academic institutions as follows:

New Age Incubation Network (NAIN):

The new age incubation scheme under implementation in engineering colleges will be expanded to all professional and post-graduate institutions in two-tier cities in a phased manner. At least 50 academic institutions shall be covered under this program during the Policy Period. The selected academic institutions would be assisted to establish an incubator in the given discipline and encourage student projects. All such incubators would be networked and connected to a common portal to facilitate exchange of thoughts, ideas and collaboration across institutions and disciplines. All

selected institutions would be graded on the basis of Key performance indicators. Financial assessment will be provided for three years to the selected institutions for setting up the incubator and other activities. Institutions that excel would be further supported for another two years.

Each NAIN institution will be assisted as follows:

- a) Grants for supporting operational expenses in their incubator e.g. Salaries of Regional Coordinators, mentoring programs, networking meetings, conducting Hackathons etc
- b) Annual Financial support for projects for upto Rs. 3 lakhs per project
- c) Training and Capacity Building for Faculty and students
- d) Exposure to Support and Network Programs conducted by the departments concerned
- e) Opportunity to visit international startup destinations
- f) Internship Stipends

NAIN institutions shall act as hubs with other academic institutes in the district acting as spokes driving the innovation ecosystem in the geography. They shall be mandated to incubate projects through competitive selection process among students, alumni as well as local entrepreneurs.

- i. Students of such institutions will also be encouraged to intern with startup incubators recognized by the state government to do their mini-projects or summer/ winter projects or internships that are done during vacations. The incubators may be mandated to run selection programs throughout the state to ensure students have access from any college in Karnataka. Such projects can then also be converted to final year Projects where the university and college must involve an external project guide/ mentor as identified by such incubators.

GoK shall allocate 20% of the total program cost additionally towards setting up a PMU (Program management unit) in KBITS that shall be entrusted with the job of capacity building of institutional personnel responsible for management of the program at institution level, conduct networking and mentoring events for the benefit of participants and other related activities e.g. student stipend for internships. The PMU shall also be responsible for assisting in the monitoring and management of the programme.

Fostering strong partnerships between R and D institutions and Industry

Technology business incubators (TBIs) in institutions of higher learning:

The State Government would assist in the setting up of TBIs in institution of higher learning with well-developed Research and development facilities to foster a strong link between R&D and commercialization of technologies so developed. TBIs are proposed to be promoted in following selected thrust areas that have potential for faster growth like (the list is not exhaustive):

- € Information & Communication Technology (ICT)/Internet of Things (IOT)/Software Products
- € Manufacturing including Electronics systems design, Robotics and 3 D Printing, manufacturing 4.0
- € Healthcare and Bio Pharma
- € Agriculture and allied fields
- € Clean-Tech
- € Energy
- € Water and its recycling
- € Education
- € Nanotechnology and Composites

The host institution must provide land and built-up space for TBI and must also share available facilities and expertise for setting up of the TBI. The TBI must be run as a society or a section 8 company with strong academic-industry collaboration. The eligible funding would be decided on case to case basis. The state support would be for the initial capital cost for equipments and facilities, and recurring costs of management of TBI for three years period, extendable by another 2 years based on performance, at the end of which the incubators are expected to become self-sufficient.

The existing TBI s would be eligible for assistance for scaling up or for expanding into niche areas with the condition that a single TBI may not focus on more than 2-3 thrust areas.

For the purpose of this policy, a TBI is an incubating facility in an institution of higher learning and provides services such as business advice, financial counseling, assistance with business management and accounting, legal and regulatory guidance, access to mentors etc., in addition to physical infrastructure appropriate for the thrust area for the incubator.

Providing early stage/Idea2PoC(Proof of Concept) funding

To encourage innovators who may need early stage funding to stimulate commercialization of research discoveries and to help in validating proof of concept and subsequently to assist them to cover costs like certification, manufacturing pilot devices etc., the State will set up an Ignition fund on the lines of BIG fund of BIRAC, GOI. Funding will be in the form of Grant-in-aid limited to a one time grant to be released in tranches based on the life cycle of the business plan. The state may at its discretion choose to administer this Grant in Aid Fund through TBI s (as defined earlier) or identified incubators of excellence. This may also help incubators to work as accelerators. Startups need not necessarily be incubated in the incubator for being eligible for such assistance.

Recognized Incubators which are managing Seed Fund Scheme of Government of India will be given matching seed funds to further increase the amounts available for startups by 200%.

Creating Incubation infrastructure through PPP

The State would invite the private sector including globally and nationally well- known accelerators and incubators to set up world class incubation centers and accelerators or expand existing facility /operations on PPP basis. Such centers must provide all necessary infrastructure for the given sector such as R&D Labs, common centre for prototyping, common testing/QA/QC labs, design studios and tool rooms, Fab labs, Biotech Wet Labs, Green Houses, Animal Houses, Office Spaces, Small and Large Conference Rooms, Office Spaces for Skunk Works and other modern amenities as required and shared services like legal, accounting, patents, investment banking, community events and mentoring and promotional and marketing support for startups. Land or built-up space would be provided at the applicable rates in Industrial/IT parks/SEZ s developed by the Government in two-tier cities. The support from the Government for the PPP partner would be determined through price discovery through open bidding. The support shall be for a period of 3 years. In addition, Government may partner with Industry bodies, trade associations, think tanks or similar non –Profit organizations working for the promotion of the relevant sector for setting up incubators or for implementing other startup initiatives.

These incubators in Tier II cities and Bangalore shall play the role of mentor institutes for NAIN colleges. The incubators/accelerators shall be assessed on KPIs such as number of companies incorporated, no of funding transactions facilitated, mentor interactions facilitated etc. The Incubators/accelerators shall administer the following schemes to be rolled out for incubatees:

- a) Full facilitation for establishment of an entity (a company or other such entity) by obtaining requisite information in a single form, and facilitating filing for regulatory compliances in prescribed format.
- b) Subsidized seats up to Rs. 3000 per seat per month limited to 5 seats per incubatee for a maximum duration of a year depending on market discovered rates which vary from city to city.
Other assistance like Legal, Accounting and mentorship on regulatory compliances shall be provided.
- c) Virtual incubation of incubatees where incubatees are not physically plugged into the facility through mentorship, funding etc.

Networking and Aggregation of Common Instrumentation Facilities (CIFs): GoK and GoI have established Labs and Common instrumentation Facilities like IMTI etc across the state. Efforts shall also be made to maintain list of all such CIFs (Government or Private) that are available for public use. Efforts will be made to develop and use a single online application to reserve lab and equipment time on pay per use basis for all incubatees on priority, through a MOU with such institutes. Common instrumentation facilities shall be set up in identified areas like Electronics, Mobile, Animation and Gaming, IOT, Analytics, Design Engineering etc on PPP or under GoI schemes under MSME, Deity etc. The testing and product evaluation facilities should be of international standards.

Startup funding through Fund of Funds

A fund of funds shall be allocated for investing in venture funds that invest in startups in various sectors. The fund of funds would be in addition to any sector-specific venture funds already being operated by the State through its entities, and could also invest in future venture funds promoted by the State. A portion of the fund of funds may be utilized for Angel stage funding. A professional fund manager shall be selected through open bidding process. Investment committee with Officers from the Government, industry and academic experts with sector-specific domain knowledge, financial and legal background etc with no conflict of interest will be constituted.

Channelizing Innovation for Social Impact

The State intends to use the vibrant startup environment to drive innovation through use of technology to find workable and scalable solutions to challenges faced by it. Under its Social innovation challenge competition, the State will use the model of Grand challenges to focus attention and effort on specific problems. Each year, 5 challenges will be identified by a committee with representatives from Government, subject specialists, NGOs etc. Each year challenges would be posed in 5 identified areas and solutions selected through a rigorous selection process shall be awarded an initial grant and a follow on funding and may be taken up for implementation as a pilot project at an appropriate scale. The winners will also automatically qualify for incubation space in the incubators supported by the State Government as per the prevalent norms.

Promoting Capacity Building through exposure visits and workshops

A corpus fund will be created to conduct training workshops and organize exposure visits to both national and international startup ecosystems/innovation hubs for faculty, students and incubatees in GOI/GOK recognized incubators. Ideathons and Startup festivals would be organized to create an exhilarating climate to inspire innovation.

International and National Exposure:

A programme would be setup to send selected startups, college and school students, faculty etc., to leading startup destinations in the country and abroad for getting exposure as well as an opportunity to meet and converse with industry leaders, thinkers and innovators. Provision shall be made to ensure 1/3rd representation of women entrepreneurs, Students and teachers etc. Existing programmes of the Government like the Market development assistance scheme of VTPC would be also accessed for some of these purposes.

Providing State support in the form of incentives and concessions

The startups that qualify the eligibility conditions in Karnataka would be entitled to the incentives and concessions provided in the i4 ,ESDM, AVGC, BT, Industrial policy etc., as

well as to additional incentives and concessions as specified in annexure-2. Please see annexure-1 for the definition of startup for the purposes of this policy.

Startups signed up in recognized incubators/accelerators including through virtual incubation will be permitted to file self-certifications, in the prescribed formats under the following acts and rules framed there under barring inspections arising out of specific complaints. The same shall be facilitated through the startup cell

- a) The Factories Act 1948
- b) The Maternity Benefit Act 1961
- c) The Karnataka Shops & Commercial Establishments Act 1961
- d) The Contract Labour (Regulations & Abolition) Act 1970
- e) The Payment of Wages Act, 1936
- f) The Minimum Wages Act 1948
- g) The Employment Exchanges (Compulsory Notification of Vacancies) Act 1959
- h) General permission shall be available for 3-shift operations with women working in the night for startups, subject to such units taking the prescribed precautions in respect of safety and security of employees in addition to providing the required welfare and health amenities as prescribed under applicable labour laws and obtaining the necessary approvals from the competent authority of the Government under the Karnataka shops and commercial establishments act and rules or the Factories Act 1948 and rules, there under as the case may be.

Applicability: This policy is applicable to all startups satisfying the eligibility criteria set forth in the policy in the sectors of **Manufacturing, ICT, BT and other sectors.**

Enablement

Startup Cell: New ventures, mostly started by young people with little prior knowledge of corporate affairs, have many hurdles to face during the early stages. Rather than worrying about how to get their business floated, concerns of IP Protection, navigating through state and central regulations and incentives, tech entrepreneurs should be able to focus on building the right product and seeking early customer validation. Further, there are numerous informational and awareness needs of startups that should be addressed in a business friendly environment. To facilitate such handholding, Startup Cell will be established in KBITS to act as a one stop shop that enables easy flow of information and assistance to needy startups. The cell shall also act as a single connect with Government departments where the Startup needs to implement pilots of their projects e.g. facilitate clinical research through coordination with Hospitals through the Health Department.

Startup Portal and Hotline:

The startup cell must network with Industry bodies, TBIs, academic institutions, other incubators etc and thus, provide a common interface where the symbiotic components of the startup ecosystem could interact more closely and effectively. The cell shall manage a common startup portal and hotline, which could provide information on

- a) Service Providers – CA, Lawyers, IP Protection, real estate agencies
- b) Organizations – TiE, NASSCOM, iSpirt, Coffee Meetup
- c) Programs/Events – Consrukt Festival, TiE Con, hackathons
- d) Incubators/Accelerators/co-working space
- e) Investors/investor organizations
- f) Incoming trade delegations
- g) Policies
- h) Regulatory environment etc

Promotion:

The Startup cell shall promote Bangalore and Karnataka as a startup destination through participation in international and national events, sponsoring the participation of local startups in such events and various other means. The cell must also sponsor the visit of delegations of startups to promotional and marketing events in India and abroad.

Startup council:

A startup council shall be set up under the chairmanship of the Chief Minister with the relevant ministers and senior officers of the government and 10 industry experts as members to review the implementation of the startup policy. Attempt shall be made for equal representation of various domains like ICT, Animation and Gaming, Agri-Biotechnology, Health, BFSI, ESDM and other manufacturing. The council shall meet at least once a year. A Startup Policy Monitoring and Review Committee shall be set up under the Chief Secretary with Principal Secretary, IT, BT and ST, Commissioner, Industries and Commerce; Managing Directors of KSIIDC, KSSIDC, VTPC; Director, IT & BT and two-three outside experts with the Managing Director, KBITS as the convenor.

Operational Guidelines: Detailed operational guidelines shall be put in place for administering all the programs under this policy and the same shall be reviewed annually.

Validity: This Policy is valid for a period of 5 years from the date of its notification or till a new policy is formulated.

Review mechanism: This policy shall be reviewed **once a year**. A status report shall be commissioned by the State to critically appraise the usefulness of the policy, the ease of implementation and the outcomes achieved. The report shall be placed before the Startup council.

1. Definition of a Startup:

- a. **Should be Technology Based:** The facilitation under this policy is intended for only technology based startups, i.e. one that creates a technology based service or product or uses technology for enhancing functionality or reach of an existing product or service.
- b. **Tenure:** The startup must not have been registered/incorporated for more than 4 (Four) years from the date of such application for any incentive applied under this policy. The same shall be 7 (seven) years for BT companies. Though the startups may not have to be registered or incorporated for receiving various incentives or benefits under the policy, any funding beyond early stage funding shall require necessary registration or incorporation.
- c. **Location:** The company/entity be registered in Karnataka under the Karnataka Shops and Commercial Establishment Act, 1961 ; and
- d. **Employment:** The company employs at least 50 (fifty) per cent of its total qualified workforce in Karnataka, which shall not include contract employees.

Note: The term “qualified” may be understood in connection with the National Skills Qualification Framework, issued by the Ministry of Skill Development and Entrepreneurship, Government of India (“NSQF”). Under NSQF, the term “qualification” has been defined as: “a formal outcome of an assessment and validation process which is obtained when a competent body determines that an individual has achieved learning outcomes to given standards”

- e. **Exit Clauses:** A startup will cease to receive benefits under this policy upon the following:

Revenue Criteria: Upon the company reaching a revenue of Rs. 50 Crores

- f. **Exclusions:** A company in order to qualify as a start-up under this policy should not have been
 - a. *Formed by the demerger or reconstitution a business already in existence;*
 - b. *A subsidiary of a firm in the State, except subsidiary of a start-up itself – that still qualifies as startup and the combined entity also satisfies the start-up criteria;*
 - c. *A merged entity in the State, except if the combined entity satisfies the criteria listed above;*
 - d. *A franchisee of an existing business in the State;*
 - e. *Promoted or sponsored by or related to an Industrial group in the State whose group turnover exceeds Rs. 300 crore;*
 - f. *A holding company or should not derive more than 50% of its income from investments and loans*

A holding company or should not derive more than 50% of its income from investments and loans.

Annexure-2

Incentives and concessions to startups would as per existing policies in addition to incentives available under various state and central government policies. Startups shall be eligible for following additional benefits:

1. Reimbursement of Service Tax paid by startups incubated in GoK supported incubators and CIFs whose annual turnover does not exceed Rs. 50 Lakhs for the first three years or till the incubator becomes DST certified whereby the services given by the incubator and the incubatees become exempt from service Tax.
2. Reimbursement of VAT/ CST: Annual Reimbursement of VAT/CST paid in Karnataka, upto a maximum of Rs. 50 Lakhs turnover by incubated startup companies within a period of first three years of being incubated.
3. Reimbursement of VAT/ CST: Reimbursement of VAT/CST on goods supplied to the Incubator or incubatee.
4. The tax incentives shall be modified once G.S.T is introduced in the state.
5. Financial Assistance as Matching Grants: The Government would match the funding raised by the Incubator from Government of India on a 1:1 basis as matching grants.
6. Marketing Incentives to Startups: Government shall provide reimbursements of 30% of the actual costs including travel incurred in international marketing through trade show participation. This incentive will be subject to a maximum of Rs. 5 Lakhs per year per company.
7. Patent Filing Cost: The cost of filing and prosecution of patent application will be reimbursed to the incubated startup companies subject to a limit of Rs. 2 lakh (0.2 million) per Indian patent awarded. For awarded foreign patents on a single subject matter, upto Rs. 10 lakh (1 Million) would be reimbursed. The reimbursement will be done in 2 stages, i.e., 75% after the patent is filed and the balance 25% after the patent is granted.
8. Promoting Entrepreneurship among women: All Government supported startups shall be mandated to allocate minimum 10% seats for startups with women co founders on preferential basis.

Many of these benefits shall be administered through identified incubators as implementation partners in order to speed up the process without compromising on due diligence in disbursement of fiscal incentives. At the same time incubators shall not insist on physical incubation of mentee incubatees so as to ensure greater touch points for incubators being supported by the Government.

Startup India: Benefits, Policies. Action plan- simplification and Handholding, Funding Support and incentives, Industry-Academia Partnership and Incubation.

Startup India

Introduction : The Prime Minister of India, Shri Narendra Modi had this year in his Independence Day speech announced the “Start-up India” initiative. This initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive for growth of Start-ups. The objective is that India must become a nation of job creators instead of being a nation of job seekers. The Prime Minister of India will formally launch the initiative **on January 16, 2016** from Vigyan Bhawan, New Delhi. The event will be attended by a vast number of young Indian entrepreneurs (over 2000) who have embarked on the journey of entrepreneurship through Start-ups.

As a key component of this “Start-up India” launch, Government of India is organizing a global workshop on “Innovation and Start-ups” **on January 16, 2016**. Shri Narendra Modi, Prime Minister of India will be the Chief Guest on the occasion. This workshop aims to provide a platform to bring together all stakeholders, stimulate dialogue on key challenges that the Indian innovation ecosystem currently faces, and provide the potential solutions to address them.

Fostering a fruitful culture of innovation in the country is a long and important journey. This initiative will go a significant way in reiterating Government of India’s commitment to making India the hub of innovation, design and Start-ups.

Benefits

To promote growth and help Indian economy, many benefits are being given to entrepreneurs establishing startups.

1. Simple process

Government of India has launched a mobile app and a [website](#) for easy registration for startups. Anyone interested in setting up a startup can fill up a **simple form** on the website and upload certain documents. The entire process is completely online.

2. Reduction in cost

The government also provides lists of facilitators of patents and trademarks. They will provide high quality Intellectual Property Right Services including fast examination of patents at lower fees. The government will bear all facilitator fees and the startup will bear only the statutory fees. They will enjoy **80% reduction in cost of filing patents**.

3. Easy access to Funds

4. A **10,000 crore rupees fund** is set-up by government to provide funds to the startups as venture capital. The government is also giving guarantee to the lenders to encourage banks and other financial institutions for providing venture capital.

4. Tax holiday for 3 Years

Startups will be exempted from income tax for 3 years provided they get a certification from Inter-Ministerial Board (IMB).

5. Apply for tenders

Startups can **apply for government tenders**. They are exempted from the “prior experience/turnover” criteria applicable for normal companies answering to government tenders.

6. R&D facilities

Seven new Research Parks will be set up to provide facilities to startups in the R&D sector

7. No time-consuming compliances

Various compliances have been simplified for startups to save time and money. Startups shall be allowed to self-certify compliance (through the Startup mobile app) with 9 labour and 3 environment laws (for list of white industries which are eligible under self-compliance – [click here](#))

8. Tax saving for investors

People investing their capital gains in the venture funds setup by government will get exemption from capital gains. This will help startups to attract more investors.

9. Choose your investor

After this plan, the startups will have an option to choose between the VCs, giving them the liberty to choose their investors.

10. Easy exit

In case of exit – A startup can close its business within 90 days from the date of application of winding up

11. Meet other entrepreneurs

Government has proposed to hold 2 startup fests annually both nationally and internationally to enable the various stakeholders of a startup to meet. This will provide huge networking opportunities.

Startup policies:

Following Startup India initiative, several states plan startup policy for entrepreneurs

Encouraged by the Center's Startup India initiative, several states including Uttar Pradesh and Chhattisgarh are planning to come out with their own policies to promote budding entrepreneurs. States like Kerala, Tamil Nadu and Karnataka have rolled out their respective policies and more are likely to follow the suit.

To promote the 'Startup India' programme, an official said the Centre would work with the states on "hub and spoke model". "We will tell them to work on this model. The startup policies of states would help in attracting investors and create employment," the official added. Under the hub and spoke model, the Centre may provide necessary support to states for setting up incubation centers, tinkering labs and research centers.

Prime Minister Narendra Modi on January 16 had unveiled a slew of incentives to boost startup businesses, offering them a tax holiday and inspector raj-free regime for three years, capital gains tax exemption and Rs 10,000 crores corpus to fund them. The government had also announced a self-certification scheme in respect of nine labor and environment laws and said there will be no inspection during the first three years of launch of the venture.

To encourage young entrepreneurs and innovation, government has also decided to bear the entire cost of facilitation for filing of patents, trademarks or designs as well as relaxed public procurement norms for startups. The government has also decided to provide an 80 per cent rebate in filing of patents vis-a-vis other companies. This will help them pare costs in the crucial formative years.

8 things entrepreneurs like about PM Modi's Startup Policy 2016

Every budding entrepreneur was eagerly awaiting PM Narendra Modi's Startup policy. The Startup India event brought about a positive vibe into the ecosystem. It was exciting to see that the

government pulled out all stops and put up a great show. It was a good initiative by the government which finally noticed the revolution in Indian entrepreneurial sector. Now government is not calling its youth a job seeker any more but addressing them as job creators.

Addressing the gathering during the Startup India and Standup India event, Modi announced certain policies benefiting new entrepreneurs. Entrepreneurs have welcomed these initiatives with open hands and are expecting that these policies will fuel growth for Indian startups.

1. Now run your own business with ease:

Government's Startup policy has made entrepreneurs happy and has given them a chance to celebrate. With the help of this policy, entrepreneurs no more need to run behind government officials to start their own business.

"Ease of starting a company, regulatory compliances and self certifications will ensure that startups can run hassle free without government interference. As part of Ease of Doing Business, the single window mechanism, can help new entrepreneurs in smooth functioning of business," said Anurag Jain, Co-founder & COO, Girnar Soft.

2. No Capital Gains tax for startups:

Relaxation on Capital Gains for funds is the biggest, including exemption from capital gains when one has the ability to raise capital over Fair Market Value."Income and Capital Gains Tax exemptions are game changers. One can expect India giving Silicon Valley run for its money over the next three decades. Government's announcements are enormously positive in potentially making India (replacing USA) as the country that leads and drives future innovation in the world," said Vijay KG, Founder, Luxepolis.

3. Single point access:

Startup India hub will now provide entrepreneurs a single point of access to communicate or go ahead. This can also be done via mobile app. This single point access will ease the process of startups to work.

4. Special schemes for women entrepreneurs:

It has always been a tall task for women to start their own business. Women entrepreneurs are doing good in the entrepreneurial ecosystem and if they are given proper support than they would excel in this field. Government has now come into action as it has declared that there is a special scheme for the women entrepreneurs also on their card.

5. Bringing sector-specific incubators:

Another thing which has made these mushrooming entrepreneurs happy is the incubation centers. Government in its Startup policy has declared that it will bring sector-specific incubators for the budding startups. This will enable startups to incubate more properly with sector specific knowledge.

6. Startup profits not taxable for first three years

Startups are always worried about tax. After the inception, if they get profit, even of minimal amount, they have to pay tax on the same. In a major relief for entrepreneurs, the government

announced that the profit generated by start-ups will not be taxable for the first three years. Now entrepreneurs can focus more on their business without worrying about the tax part.

7. Patent fees for startups to be slashed by 80 per cent

To support and protect intellectual property rights of budding entrepreneurs, PM Narendra Modi on Saturday said that the patent fees for startups will be cut by 80 per cent. While addressing the gathering at Startup India, Standup India event, Modi said, "Patent fee for startups will be reduced by 80 per cent. India's future lies in innovation and creativity. Newcomers should get equal opportunities." Further startups will be helped through facilitation centres by lawyers to file patents without any charges.

8. Rs 10,000 cr fund for startups @ 2500 cr each year for the first 4 years:

To help startups get funding support, Modi has announced the setting up of a dedicated fund of Rs 10,000 crore to provide both equity and debt support, with Rs 2,500 crore each year for the first four years.

Government's efforts are sounding good to every entrepreneur and they are also accepting these initiatives with a big smile on their faces but time will only tell that how far these policies will benefit the Indian startups. What should follow is the real action to get these policies get off the ground.

Action Plan

Startup India :The Prime Minister of India, Shri Narendra Modi had this year in his Independence Day speech announced the "Start-up India" initiative. This initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive for growth of Start-ups. The objective is that India must become a nation of job creators instead of being a nation of job seekers. The Prime Minister of India will formally launch the initiative **on January 16, 2016** from Vigyan Bhawan, New Delhi. The event will be attended by a vast number of young Indian entrepreneurs (over 2000) who have embarked on the journey of entrepreneurship through Start-ups.

As a key component of this "Start-up India" launch, Government of India is organizing a global workshop on "Innovation and Start-ups" **on January 16, 2016**. Shri Narendra Modi, Prime Minister of India will be the Chief Guest on the occasion. This workshop aims to provide a platform to bring together all stakeholders, stimulate dialogue on key challenges that the Indian innovation ecosystem currently faces, and provide the potential solutions to address them.

Fostering a fruitful culture of innovation in the country is a long and important journey. This initiative will go a significant way in reiterating Government of India's commitment to making India the hub of innovation, design and Start-ups.

Action plan

In order to meet the objectives of the initiative, Government of India announced the Action Plan that addresses all aspects of the Startup ecosystem on 16th January 2016. With this Action Plan the Government hopes to accelerate spreading of the Startup movement. The Action Plan is based on the following three pillars:

- Simplification and Handholding

- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

NOTE:

(Refer to word file for details on **start_up_india_action_plan: simplification and Handholding, Funding Support and incentives, Industry-Academia Partnership and Incubation.** in file attachment of you mail)

Salient features of Karnataka Startup Policy 2015-2020, Strategies encouraging entrepreneurship through NAIN. Venture capitalist, SSI funding schemes by banks and financial institutions, Government of India Initiatives on Thrust Areas, overview of detailed project report/profile.

Karnataka Startup Policy 2015-2020

Introduction

As per the Global Startup Ecosystem Ranking Report 2015, “Bangalore is home to approximately 3,100 to 4,900 active tech startups and has achieved the second highest growth rate for exit volume and VC investment among the top 20. As a result, Bangalore moved up four positions to #15 in 2015, advancing from #19 in the 2012 ranking”. As per this report

Bengaluru is the only Indian city to be ranked within the best twenty start-up ecosystems across the world. The State’s long and sustained leadership in driving the IT economy and conducive R&D ecosystems have contributed to this. The existing policy framework of Government of Karnataka, mainly the i4 (IT, ITES, Innovations and Incentives Policy 2014-2019), ESDM, AVGC policies and the Industries Policy 14-19, recognized the importance of promoting startups and the need to give the necessary impetus to tech- entrepreneurship early in the day, and has invested on building incubation spaces in partnership with industry bodies; encouraging innovation in educational institutions through its New age incubation network; providing seed capital and other incentives. In 2015, close to 35% of Indian startups functioned from the state, making it the single largest startup hub in the country.

Small businesses have been in fact the largest job providers and a vibrant startup ecosystem driven by innovation can be a key to better employment opportunities for the youth and have widespread positive impact on the economy. Social innovation could have wide-ranging beneficial impacts on quality of life as it could improve accessibility to health care; introduce environmentally-friendly technologies etc. Karnataka is poised for the next phase of growth in startup sector as the potential to leverage the existing ecosystem in Bengaluru and build similar eco-systems in two-tier cities is tremendous. With the projections of being the largest conglomeration of IT professionals by 2020, Bangalore is well placed to also be amongst the top 5 startup ecosystems in the world in the near future. The objective of the State is to ensure that Bengaluru maintains the lead position in the country and to develop other important cities as startup destinations on par with top 30 international startup hubs.

Vision: To create a world-class startup ecosystem in the state through strategic investment and policy interventions leveraging the robust innovation climate in Bangalore.

Goals:

- e) Stimulate the growth of 20000 technology based startups including 6000 product startups by 2020 in Karnataka
- f) Achieve creation of 6 lakh direct and 12 lakh indirect new employments in the

sector

- g) Mobilize Rs. 2000 Cr funding for investment in startups through Government intervention alone, by leveraging the Fund of Funds proposed to be put in place by the State Government
- h) Facilitate generation of at least 25 Innovative Technology solutions with a social impact in the sectors like Health care, Food Security, Clean environment and Education for all etc.

Strategies:

Encouraging Entrepreneurship in Education through NAIN

Innovation is second nature to man. This policy document recognizes the fact that the seeds of entrepreneurship and the innate ability to innovate must be nurtured in academic institutions. It is the need of the hour to develop a culture that produces innovators who dare to dream an original idea and pursue it till fruition. The State would therefore work towards creating such an ecosystem in academic institutions as follows:

New Age Incubation Network (NAIN):

The new age incubation scheme under implementation in engineering colleges will be expanded to all professional and post-graduate institutions in two-tier cities in a phased manner. At least 50 academic institutions shall be covered under this program during the Policy Period. The selected academic institutions would be assisted to establish an incubator in the given discipline and encourage student projects. All such incubators would be networked and connected to a common portal to facilitate exchange of thoughts, ideas and collaboration across institutions and disciplines. All selected institutions would be graded on the basis of Key performance indicators. Financial assessment will be provided for three years to the selected institutions for setting up the incubator and other activities. Institutions that excel would be further supported for another two years.

Each NAIN institution will be assisted as follows:

- g) Grants for supporting operational expenses in their incubator e.g. Salaries of Regional Coordinators, mentoring programs, networking meetings, conducting Hackathons etc
- h) Annual Financial support for projects for upto Rs. 3 lakhs per project
- i) Training and Capacity Building for Faculty and students
- j) Exposure to Support and Network Programs conducted by the departments concerned
- k) Opportunity to visit international startup destinations
- l) Internship Stipends

NAIN institutions shall act as hubs with other academic institutes in the district acting as spokes driving the innovation ecosystem in the geography. They shall be mandated to incubate projects through competitive selection process among students, alumni as well as local entrepreneurs.

- i. Students of such institutions will also be encouraged to intern with startup incubators recognized by the state government to do their mini-projects or summer/ winter projects or internships that are done during vacations. The incubators may be mandated to run selection programs throughout the state to ensure students have access from any college in Karnataka. Such projects can then also be converted to final year Projects where the university and college must involve an external project guide/ mentor as identified by such incubators.

GoK shall allocate 20% of the total program cost additionally towards setting up a PMU (Program management unit) in KBITS that shall be entrusted with the job of capacity building of institutional personnel responsible for management of the program at institution level, conduct networking and mentoring events for the benefit of participants and other related activities e.g. student stipend for internships. The PMU shall also be responsible for assisting in the monitoring and management of the programme.

Fostering strong partnerships between R and D institutions and Industry

Technology business incubators (TBIs) in institutions of higher learning:

The State Government would assist in the setting up of TBIs in institution of higher learning with well-developed Research and development facilities to foster a strong link between R&D and commercialization of technologies so developed. TBIs are proposed to be promoted in following selected thrust areas that have potential for faster growth like (the list is not exhaustive):

- ⌘ Information & Communication Technology (ICT)/Internet of Things (IOT)/Software Products
- ⌘ Manufacturing including Electronics systems design, Robotics and 3 D Printing, manufacturing 4.0
- ⌘ Healthcare and Bio Pharma
- ⌘ Agriculture and allied fields
- ⌘ Clean-Tech
- ⌘ Energy
- ⌘ Water and its recycling
- ⌘ Education
- ⌘ Nanotechnology and Composites

The host institution must provide land and built-up space for TBI and must also share available facilities and expertise for setting up of the TBI. The TBI must be run as a society or a section 8 company with strong academic-industry collaboration. The eligible funding would be decided on case to case basis. The state support would be for the initial capital cost for equipments and facilities,

and recurring costs of management of TBI for three years period, extendable by another 2 years based on performance, at the end of which the incubators are expected to become self-sufficient.

The existing TBI s would be eligible for assistance for scaling up or for expanding into niche areas with the condition that a single TBI may not focus on more than 2-3 thrust areas.

For the purpose of this policy, a TBI is an incubating facility in an institution of higher learning and provides services such as business advice, financial counseling, assistance with business

management and accounting, legal and regulatory guidance, access to mentors etc., in addition to physical infrastructure appropriate for the thrust area for the incubator.

Providing early stage/Idea2PoC(Proof of Concept) funding

To encourage innovators who may need early stage funding to stimulate commercialization of research discoveries and to help in validating proof of concept and subsequently to assist them to cover costs like certification, manufacturing pilot devices etc., the State will set up an Ignition fund on the lines of BIG fund of BIRAC, GOI. Funding will be in the form of Grant-in-aid limited to a one time grant to be released in tranches based on the life cycle of the business plan. The state may at its discretion choose to administer this Grant in Aid Fund through TBI s (as defined earlier) or identified incubators of excellence. This may also help incubators to work as accelerators. Startups need not necessarily be incubated in the incubator for being eligible for such assistance.

Recognized Incubators which are managing Seed Fund Scheme of Government of India will be given matching seed funds to further increase the amounts available for startups by 200%.

Creating Incubation infrastructure through PPP

The State would invite the private sector including globally and nationally well- known accelerators and incubators to set up world class incubation centers and accelerators or expand existing facility /operations on PPP basis. Such centers must provide all necessary infrastructure for the given sector such as R&D Labs, common centre for prototyping, common testing/QA/QC labs, design studios and tool rooms, Fab labs, Biotech Wet Labs, Green Houses, Animal Houses, Office Spaces, Small and Large Conference Rooms, Office Spaces for Skunk Works and other modern amenities as required and shared services like legal, accounting, patents, investment banking, community events and mentoring and promotional and marketing support for startups. Land or built-up space would be provided at the applicable rates in Industrial/IT parks/SEZ s developed by the Government in two-tier cities. The support from the Government for the PPP partner would be determined through price discovery through open bidding. The support shall be for a period of 3 years. In addition, Government may partner with Industry bodies, trade associations, think tanks or similar non –Profit organizations working for the promotion of the relevant sector for setting up incubators or for implementing other startup initiatives.

These incubators in Tier II cities and Bangalore shall play the role of mentor institutes for NAIN colleges. The incubators/accelerators shall be assessed on KPIs such as number of companies incorporated, no of funding transactions facilitated, mentor interactions facilitated etc. The Incubators/accelerators shall administer the following schemes to be rolled out for incubatees:

- d) Full facilitation for establishment of an entity (a company or other such entity) by obtaining requisite information in a single form, and facilitating filing for regulatory compliances in prescribed format.
- e) Subsidized seats up to Rs. 3000 per seat per month limited to 5 seats per incubatee for a maximum duration of a year depending on market discovered rates which vary from city to city.

Other assistance like Legal, Accounting and mentorship on regulatory compliances shall be provided.

- f) Virtual incubation of incubatees where incubatees are not physically plugged into the facility through mentorship, funding etc.

Networking and Aggregation of Common Instrumentation Facilities (CIFs): GoK and GoI have established Labs and Common instrumentation Facilities like IMTI etc across the state. Efforts shall also be made to maintain list of all such CIFs (Government or Private) that are available for public use. Efforts will be made to develop and use a single online application to reserve lab and equipment time on pay per use basis for all incubatees on priority, through a MOU with such institutes. Common instrumentation facilities shall be set up in identified areas like Electronics, Mobile, Animation and Gaming, IOT, Analytics, Design Engineering etc on PPP or under GoI schemes under MSME, Deity etc. The testing and product evaluation facilities should be of international standards.

Startup funding through Fund of Funds

A fund of funds shall be allocated for investing in venture funds that invest in startups in various sectors. The fund of funds would be in addition to any sector-specific venture funds already being operated by the State through its entities, and could also invest in future venture funds promoted by the State. A portion of the fund of funds may be utilized for Angel stage funding. A professional fund manager shall be selected through open bidding process. Investment committee with Officers from the Government, industry and academic experts with sector-specific domain knowledge, financial and legal background etc with no conflict of interest will be constituted.

Channelizing Innovation for Social Impact

The State intends to use the vibrant startup environment to drive innovation through use of technology to find workable and scalable solutions to challenges faced by it. Under its Social innovation challenge competition, the State will use the model of Grand challenges to focus attention and effort on specific problems. Each year, 5 challenges will be identified by a committee with representatives from Government, subject specialists, NGOs etc. Each year challenges would be posed in 5 identified areas and solutions selected through a rigorous selection process shall be awarded an initial grant and a follow on funding and may be taken up for implementation as a pilot project at an appropriate scale. The winners will also automatically qualify for incubation space in the incubators supported by the State Government as per the prevalent norms.

Promoting Capacity Building through exposure visits and workshops

A corpus fund will be created to conduct training workshops and organize exposure visits to both national and international startup ecosystems/innovation hubs for faculty, students and incubatees in GOI/GOK recognized incubators. Ideathons and Startup festivals would be organized to create an exhilarating climate to inspire innovation.

International and National Exposure:

A programme would be setup to send selected startups, college and school students, faculty etc., to leading startup destinations in the country and abroad for getting exposure as well as an opportunity to meet and converse with industry leaders, thinkers and innovators. Provision shall be made to ensure 1/3rd representation of women entrepreneurs, Students and teachers etc. Existing programmes of the Government like the Market development assistance scheme of VTPC would be also accessed for some of these purposes.

Providing State support in the form of incentives and concessions

The startups that qualify the eligibility conditions in Karnataka would be entitled to the incentives and concessions provided in the i4 ,ESDM, AVGC, BT, Industrial policy etc., as well as to additional incentives and concessions as specified in annexure-2. Please see annexure-1 for the definition of startup for the purposes of this policy.

Startups signed up in recognized incubators/accelerators including through virtual incubation will be permitted to file self-certifications, in the prescribed formats under the following acts and rules framed there under barring inspections arising out of specific complaints. The same shall be facilitated through the startup cell

- i) The Factories Act 1948
- j) The Maternity Benefit Act 1961
- k) The Karnataka Shops & Commercial Establishments Act 1961
- l) The Contract Labour (Regulations & Abolition) Act 1970
- m) The Payment of Wages Act, 1936
- n) The Minimum Wages Act 1948
- o) The Employment Exchanges (Compulsory Notification of Vacancies) Act 1959
- p) General permission shall be available for 3-shift operations with women working in the night for startups, subject to such units taking the prescribed precautions in respect of safety and security of employees in addition to providing the required welfare and health amenities as prescribed under applicable labour laws and obtaining the necessary approvals from the competent authority of the Government under the Karnataka shops and commercial establishments act and rules or the Factories Act 1948 and rules, there under as the case may be.

Applicability: This policy is applicable to all startups satisfying the eligibility criteria set forth in the policy in the sectors of Manufacturing, ICT, BT and other sectors.

Enablement

Startup Cell: New ventures, mostly started by young people with little prior knowledge of corporate affairs, have many hurdles to face during the early stages. Rather than worrying about how to get their business floated, concerns of IP Protection, navigating through state and central regulations and incentives, tech entrepreneurs should be able to focus on building the right product and seeking early customer validation. Further, there are numerous informational and awareness needs of startups that should be addressed in a business friendly environment. To facilitate such handholding, Startup Cell will be established in KBITS to act as a one stop shop that enables easy flow of information and assistance to needy startups. The cell shall also act as a single connect with Government departments where the Startup needs to implement pilots of their projects e.g. facilitate clinical research through coordination with Hospitals through the Health Department.

Startup Portal and Hotline:

The startup cell must network with Industry bodies, TBIs, academic institutions, other incubators etc and thus, provide a common interface where the symbiotic components of the startup ecosystem could interact more closely and effectively. The cell shall manage a common startup portal and hotline, which could provide information on

- i) Service Providers – CA, Lawyers, IP Protection, real estate agencies
- j) Organizations – TiE, NASSCOM, iSpirt, Coffee Meetup
- k) Programs/Events – Construct Festival, TiE Con, hackathons
- l) Incubators/Accelerators/co-working space
- m) Investors/investor organizations
- n) Incoming trade delegations
- o) Policies
- p) Regulatory environment etc

Promotion:

The Startup cell shall promote Bangalore and Karnataka as a startup destination through participation in international and national events, sponsoring the participation of local startups in such events and various other means. The cell must also sponsor the visit of delegations of startups to promotional and marketing events in India and abroad.

Startup council:

A startup council shall be set up under the chairmanship of the Chief Minister with the relevant ministers and senior officers of the government and 10 industry experts as members to review the implementation of the startup policy. Attempt shall be made for equal representation of various domains like ICT, Animation and Gaming, Agri-Biotechnology, Health, BFSI, ESDM and other manufacturing. The council shall meet at least once a year. A Startup Policy Monitoring and Review Committee shall be set up under the Chief Secretary with Principal Secretary, IT, BT and ST, Commissioner, Industries and Commerce; Managing Directors of KSIIDC, KSSIDC, VTPC; Director, IT & BT and two-three outside experts with the Managing Director, KBITS as the convenor.

Operational Guidelines: Detailed operational guidelines shall be put in place for administering all the programs under this policy and the same shall be reviewed annually.

Validity: This Policy is valid for a period of 5 years from the date of its notification or till a new policy is formulated.

Review mechanism: This policy shall be reviewed once a year. A status report shall be commissioned by the State to critically appraise the usefulness of the policy, the ease of implementation and the outcomes achieved. The report shall be placed before the Startup council.