



झारखण्ड सरकार



Jharkhand Start-Up Policy-2016 (Draft)

Government of Jharkhand

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Preamble:

Jharkhand of today is undertaking firm and fundamental strides towards building a robust business friendly ecosystem, which promotes innovation and nurtures entrepreneurial spirits.

Government of Jharkhand aims to create opportunities and improvement driven governance as it recognizes the fact that there is no economic gain in just starting any business. The business needs to be competitive, viable and scalable so as to contribute to social and economic development of the state of Jharkhand.

While this policy focuses on effective short-term measures to boost entrepreneurship and investment in the state for the next 5 years, it also lays a strategic long-term roadmap for bringing in positive change in the mindsets of the individual and society's attitude towards becoming an entrepreneur.

Vision: To be amongst the top leading startup states in the country by the year 2021

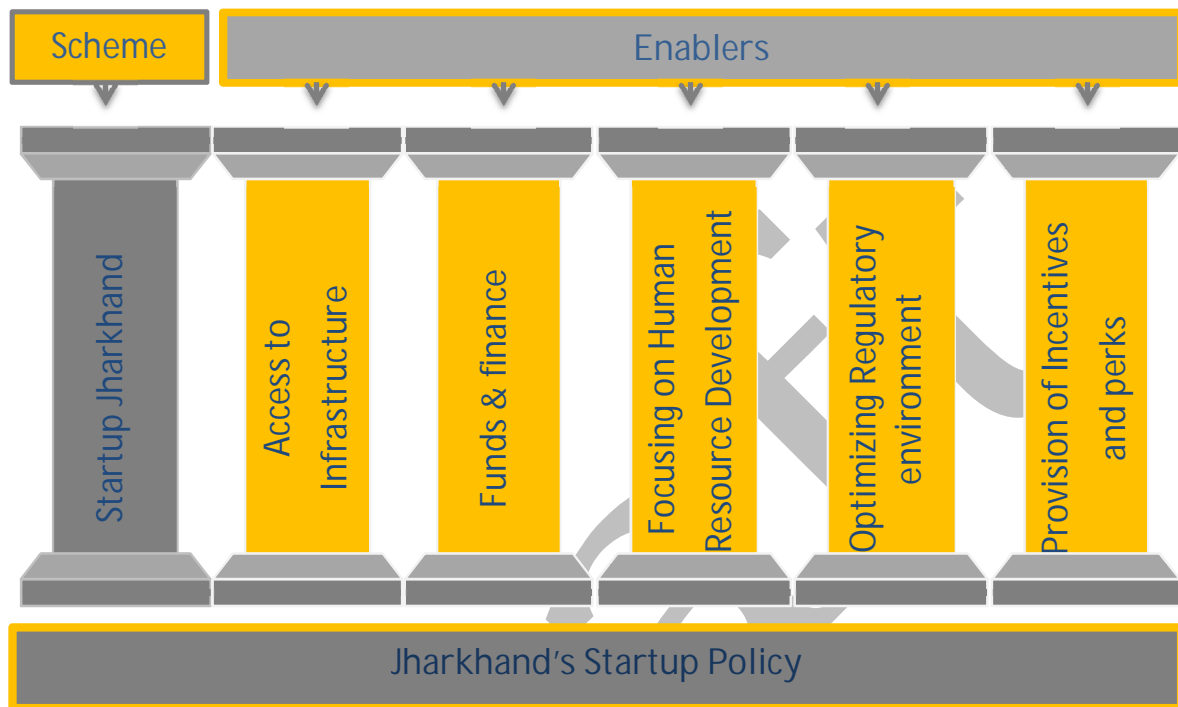
Mission: To provide an enabling environment for creation of successful, innovative and impactful enterprises in Jharkhand.

Objectives:

- To create a conducive and enabling ecosystem to facilitate the growth and scaling of at least 1000 direct startups, and supporting 1500 virtually by 2021.
- To create 1,00,000 sq ft. of dedicated incubation space offering end-to-end solution for the startups.
- To create a fund of funds (FOF) by Public-Private partnership to promote startups in the state
- To facilitate the development of at least 100 Innovative technology based startups, with social impact, specific to the needs of the state in this Policy plan period
- To create robust and synergetic platform for the Academia and Industry to supplement each other's efforts

Policy Validity: This Policy will be valid for 5 years from the day of Notification.

Jharkhand Startup Strategy:



1. StartUp Jharkhand: Scheme

1.1. Key Focus Areas:

- IT/ITeS, Internet of Things (IoT)
- Healthcare Technology
- Renewable & Clean Energy
- Rural Tourism, Water & Sanitation
- Agro & Food, Crafts
- Education
- Electronics Manufacturing and Automation
- Automation around Captive Industries
- Startups focused on Social Issues

1.2. Startup Support:

1.2.1. Idea/Seed/Prototype Stage - Support and funding:

- Any Individual or group with an Innovative Idea/concept can apply for selection. A "State Evaluation Board" shall do the selection based on pre-defined criteria and their decision will be final.
- The selected Individual or the group shall be provided with a stipend of Rs 5000 per group member (maximum 3) per month for up to 6 months as a subsistence allowance.
- Females and Divyang (Differently abled) members from the selected startup/idea shall be eligible for additional Rs 2000 above the subsistence allowance
- This is not a research grant, under during this duration, the early stage Startups has to work on:
 - a) Idea development and concept validation
 - b) Prototype development
 - c) Business plan development
- The selected Idea/Startup will be eligible for maximum financial support of INR 2 lakh, for the development of Prototype of their product/solution.
- All the selected Ideas/concepts will be provided free of cost mentoring, access to lab facilities and all other facilities available in the Incubation center for maximum up to 2 years.
- The Idea/Concept will be registered as a "Startup Entity" at the end of this period

1.2.2. Secondary stage or Scale up Stage - Support and funding for the Startups:

- The selected Startups would be provided with mentorship and acceleration support.
- A Onetime marketing grant up to INR 5 lakh would be provided to the Startups for successful launch and marketing of the product/solution.
- Government of Jharkhand can provide financial support to the Startups for scaling their product/Solutions and expansion of business by its internal venture capital fund.
- The Startups will also be assisted in sourcing Venture Capital funding through Private Venture Capital funds/Angel Investors.

2. Infrastructure:

Government of Jharkhand is committed to build connective infrastructure between the nodes of academic and Research institutions, Industry and their associations, funding institutions and other relevant stakeholders to accelerate entrepreneur growth and success.

To do so, it has come up with Hub and Spoke (HAS) model for developing startup ecosystem and incubation centers in the state. The state will setup a *Central Incubation Lab* in the state capital to function as the Hub of all the government/government aided incubation centers in the state. The state shall help the institutions of higher learning with one time endowment fund to create new or upgrade their existing Incubation centers which would act as the spoke or the peripheral incubation centers.

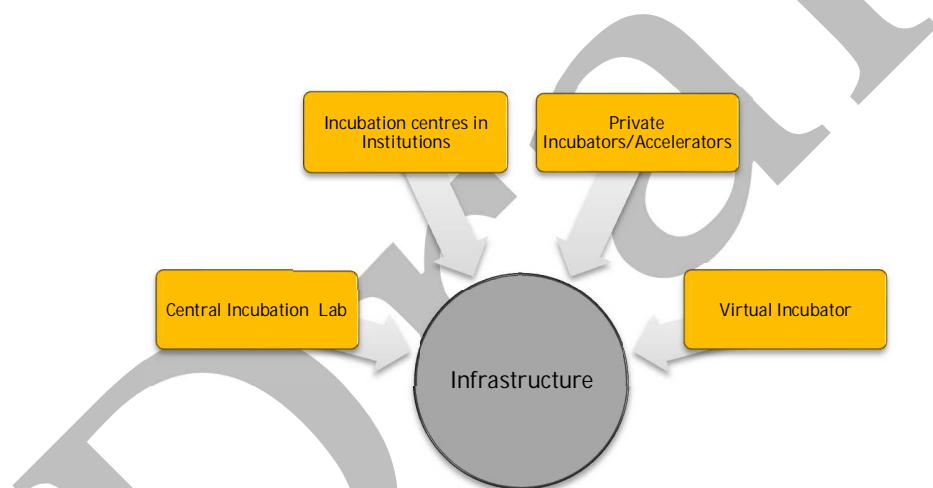


Fig 2.1 – Overview of the Infrastructure

2.1. Central Incubation Lab (CIL):

Government of Jharkhand will setup a state of the art Central Incubation lab, which will also act as the Hub center or the *anchor Unit* for all other Private/Institutional incubation centers across the state. This center would provide end-to-end solution for setting up a successful Startup to the incubatees. This would also act as the central networking platform and would bring synergy in the efforts of the associated centers or the spokes in centers of higher education as well as the private incubators. This center will act as the central hub supporting all the government aided entrepreneurial activities in the state of Jharkhand.

Central Incubation lab is modeled, as a “*hybrid institution*”, which shall have state of the art in-house incubation facilities, will organize round the year accelerator programs. This lab will also act as the facilitator for the peripheral incubators in Institutions of Higher learning and private incubators.



Fig 2.2- Overview of the mandate of Central Incubation Lab

List of Key facilities envisaged in Central Incubation Lab are:

- Provision of space for Work (Plug n’ Play) setup
- Training and mentorship on areas like Business communication, customer relationship
- Networking Facilitation (Industry-Academia- Funding)
- Market Research Support
- Accounting/Financial/legal Management support
- Design Labs and Fab Labs
- Intellectual property Management support

The vibrant ecosystem envisaged around Central Innovation lab is depicted below:

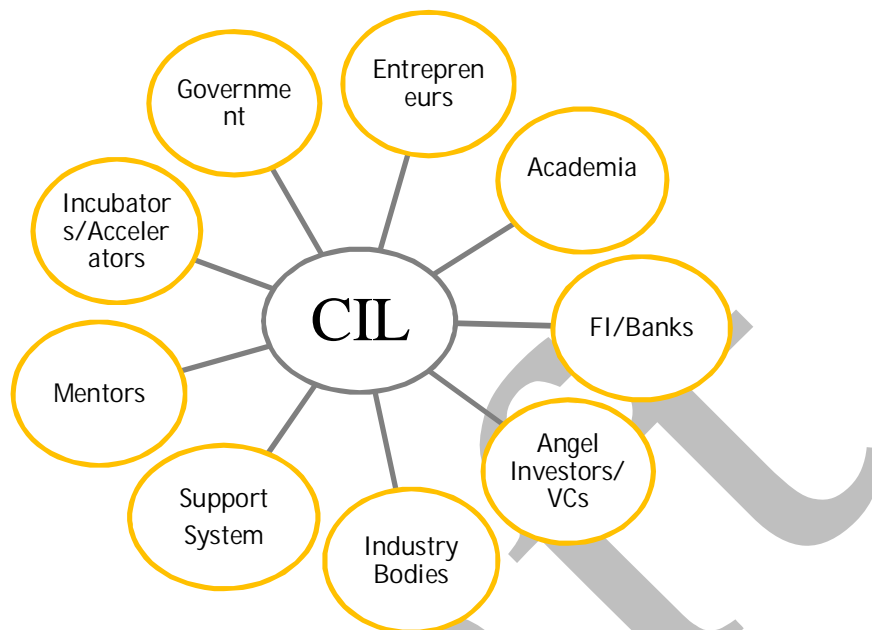


Fig 2.3 Overview of the ecosystem envisaged around Central Incubation lab

2.2. Incubation Centers in Higher Educational Institutions:

Special endowment would be provided to the institutions of higher education in the state to setup Incubation/Innovation center in their respective institutions with an aim to promote entrepreneurship and creativity in the educational institutes.

- The Government funded, reputed and prestigious institutes of Jharkhand would be provided with a one-time sum of INR 50 lacs (maximum 10 institutions can be given this grant in the first year) for setting up of Incubation/innovation centers. From the second year, these institutions shall be provided with INR 25 lacs for the next four years to meet their operations and mentoring costs.
- The selected Institution has to enter into a Performance contract with the State government to successfully operate the center for atleast 5 years, and mentor atleast 20 new Startups every year which are duly approved by the *State Evaluation board*. Further assistance may be provided based on the performance of the center.
- Any Private University/Research Institution can also apply for this funding, given the fact that they have operated in the state for the last 4 years and qualify through the selection process.
- A competitive process will choose the Institutions under this scheme, apart from their repute and educational prowess.

Note: Incubation Centers in Government and Private Institutions will be free to select the Ideas/projects from Students/Individuals or Groups, but these ideas/project has to be approved by the “*State Evaluation Board*” in order to avail the Stipend and incentives given by the State Government.

2.3. Private Incubators/Accelerators:

- Assistance would be provided to corporates of National repute/SEBI registered Venture Capital Funds/Industry association to setup and operate Incubation centre in the State.
- Private Incubators shall be provided with annual support amount of 50 lacs per year for the first 5 years based on their performance. These incubators have to enter into a Performance contract with the State government to successfully operate the center for atleast of 5 years in order to receive the annual support.
- Private Incubator Center has to facilitate and mentor at least 20 incubatees/Startups every year, which have been approved by the “*State Evaluation Board*”
- Such Private Incubators will act as the peripheral node for the Central Incubation lab.

Note: Private Incubation Centers will be free to select the Ideas/projects from Individuals or Groups, but these ideas/project has to be approved by the “*State Evaluation Board*” in order to avail the stipend and incentives given by the State Government.

2.4. Virtual Incubator Platform:

Government of Jharkhand would create an online platform to bring in together, academia, Industries, and Investors. This platform would connect the academic institutions, Startups, Industrial mentors, Equity Venture firms and all other relevant stakeholders. This platform would also function as a repository of the ongoing projects in the state.

2.5. Providing access to specialized facilities and Infrastructures:

Government of Jharkhand will create a system to aggregate and grant access to the selected Incubatees/Startups to the Instrument facilities in Private and Government laboratories, libraries in the institution of Higher education and Public Sector Unit’s across the state.

3. Funds

Government of Jharkhand shall strive to provide funding support for development and growth of innovation driven enterprises in the state. To do so, the state government will setup two different funds. A Board shall professionally manage these funds with private

professionals drawn from government, industry bodies, academia, and successful Startups. The funds will be:

- I. Jharkhand Venture Capital fund
- II. Jharkhand Entrepreneurship Development fund

3.1. Jharkhand Venture Capital Fund:

- Government of Jharkhand will pool a fund of 250 Cr in phases over the next five years, starting with 50 Cr in the first year leading to the creation of "*Jharkhand Venture Capital Fund*".
- This fund will be in the form of *Fund of Funds*.
- A dedicated *Asset Management Company/Society* will manage Jharkhand Venture Capital fund.
- The return or profit from the investments in the startups, shall be reinvested in the *Jharkhand Venture Capital Fund*.

3.2. Jharkhand Entrepreneurship Development Fund:

Government of Jharkhand would set up a separate Corpus fund of 50 Cr for promoting entrepreneurship in the state and developing Infrastructure. A Project Management Unit (PMU) will be set up to professionally manage this fund. This fund will solely be utilized for:

- Setting up and operationalization of Central Incubation lab (CIL)
- Setting up of Incubation centers in the Academic Institutions, Private Incubators.
- Funding of Stipend, Prototype development cost to the Incubatees, Startups.
- Cost incurred for organizing fests, workshops and Events to promote entrepreneurship
- Disbursal of Financial Incentives (Incentive reimbursement).

5% of the Corpus will be earmarked for meeting out the cost of Project Management and other overhead costs.

4. Human Capital Development:

It's imperative for the state of Jharkhand to create a vibrant culture of entrepreneurship and creativity for realizing the missions that are laid out in this policy. This requires that we reimagine and reinvigorate the role of universities and colleges as germinators, where young minds can sprout out of the box solution and ideas. It's also vital that we promote

entrepreneurial awareness, nurture skills and freethinking amongst the citizens across age groups.

To realize this, the Government has planned a strategic approach:

- Short term catalytic Interventions: Through Idea conclaves, Pitch your business events, College Startup fests etc.
- Medium term interventions: To setup virtual Entrepreneurial skills centre around *attitudes* (soft skills), such as persistence, networking and self- confidence on the one hand and *enabling* skills (hard skills) on the other hand, including basic start- up knowledge, business planning, financial literacy and managerial skills.
- Long term strategic Intervention: Through changes in the College/School curriculum, Faculty up gradation schemes, facilitating the use of Startup kits in schools etc.

4.1. University/Higher Educational Institution Syllabus:

To motivate the youths to take up Entrepreneurship, the Universities and Institutions of higher learning would be encouraged to follow the global best practices. They will also be advised to upgrade their curriculum in-order to introduce mandatory courses on entrepreneurship and financial literacy.

4.2. State funded Schools Syllabus:

The state schools will be updated to incorporate modules on basic electronics, entrepreneurship, digital and basic financial literacy to develop an aptitude amongst the students.

4.3. Faculty Up-gradation:

Faculties would undergo a tailor made training at the State's Jharkhand Incubation lab or other facility to develop a nuanced understanding of the latest development in the field of startups and other skills. Government shall also support universities to train the faculty for promotion of innovation and entrepreneurship.

Training module can include:

- Entrepreneurship module along 6 C principle- collaboration, communication, content, critical thinking, creative innovation and confidence
- Project management, business communication, manufacturing process, service delivery, customer relationship

4.4. Gap Semester:

Students can take a semester off from their regular education during their stipulated degree program to work on their startups for full time. After the semester they can come back to complete their education.

4.5. Faculty Sabbatical:

Faculties in the Institutions of higher learning would be encouraged to take time off to work with students at the incubator center for a stipulated time, after which they can join back to their normal work.

4.6. Mandatory apprenticeship:

All educational institutions in the state which are offering education in undergraduate courses, specially in Science, will be required to introduce an mandatory apprenticeship program which can only be waived of for the students who are setting up their own startups.

4.7. Distribution of STEM (Science, Technology, Engineering & Math's) kit in the schools:

Government would provide STEM Kits in the Government funded/private schools to help students learn basic computing, electronics and broaden their imagination through scientific thinking. Government would also strive to set Startup labs in the schools.

4.8. Idea Bootcamps/Conclave:

Colleges and universities would be mandated to organize half yearly boot camps/conclaves in close partnership with the Incubators and Industry in the state to seek out fresh ideas and projects.

4.9. Business Plan competitions/Workshops:

The Government would on a regular basis organize business Idea challenges in its Incubation centers to attract youths and motivate them to take up entrepreneurship.

4.10. Scientific Conferences/Workshops for Academia-Industry cooperation:

An annual workshop is envisaged to foster closer ties between the two. Eminent Researcher and Scientists will be called for the Conference, which would also be attended by the industry leaders.

4.11. Weekend Business Challenge Programs:

Startup weekends would be organized specially targeting Individuals who are in Service or jobs. These events would facilitate their participation.

4.12. Special Platform:

Special platforms and tools would be created to tell your story, to have a voice and contribute to building a better company, community and state. It will also bring in mentors/alumni from the state.

4.13. Performance Contracts:

Government of Jharkhand would invest in long-term Research and Development (R&D), which would facilitate start-ups and would enable the current system to move from *“service based environment to Product based environment*. For this, Government would increase the funding for University research through Performance contracts for research funding research-oriented organizations. Legal provisions will be made in the contract act to support this.

5. Incentives:

5.1. General Incentives:

The Startups which shall be based out from the state of Jharkhand will be eligible for self certification, in the prescribed format under the below mentioned laws:

- The Factories Act, 1948
- The Maternity Benefit Act, 1961
- The Jharkhand Shops & Establishments Act, 1953
- The Contract Labour (Regulations & Abolition) Act, 1970
- The Payment of Wages Act, 1936
- The Minimum Wages Act, 1948
- The Employment Exchanges (Customary Notification of Vacancies) Act, 1959
- Contract Labour (Regulation and Abolition) Act, 1970
- Payment of Gratuity Act, 1972
- Air (Prevention & Control of Pollution) Act, 1981
- Water (Prevention & Control of Pollution) Act, 1974

Further, in case of these labour laws, inspections will not be conducted for three years, unless a complaint is received. For environmental laws, random checks would be carried out to ensure compliance.

5.2. Financial Incentives:

All incentive listed below shall applicable for a unit till the time it remains a “startup” as defined by Government of India.

- *Reimbursement of VAT/Service Tax paid by startups:* The Startups, which are registered in Jharkhand, will be entitled for 100% reimbursement on the Vat/Service tax paid in Jharkhand
- *National/ International Patent Filing Cost:* The Government of Jharkhand shall reimburse 100 % of the patent filing cost, by the Startups registered and headquartered in Jharkhand. The reimbursement will be done in 3 stages, i.e., during filing, prosecution and award.
- *Registration fee/Stamp Duty/ transfer duty reimbursement:* 100% reimbursement of stamp/ transfer duty and Registration fee paid by the Startups on purchase of land.
- *Municipal duties:* A three-year moratorium on payment of all municipal duties by the Startups.
- *Subsidy on lease rentals:* A subsidy of 50%, on lease rentals up to INR 5 lakhs per annum for a maximum period of three years, for the plug-and-play type built up office space leased by a Start-up in STPI, IT/multi-purpose SEZs/IT Parks (both Public & Privately promoted).
- *Internet Bandwidth Reimbursement:* A reimbursement of 30% of the amount paid to Internet Service Provider (ISP) shall be reimbursed; up to INR 60000/annually on furnishing self certified bills for 5 years since registration of the startup.
- *Electricity bills Reimbursement:* A reimbursement of 30% of the amount paid to Electricity dis-coms, shall be reimbursed, up to INR 60000/annually on furnishing self certified bills.
- *Provision of Land in IT Parks/SEZ:* Startups, which are registered in Jharkhand, will be prioritized for allocation of land/space in IT Parks and Special Economic Zones.

- *Participation in Local Government tenders:* Startups, which are incubated and registered in Jharkhand, shall be eligible to bid for all the tenders, regardless of financial qualification.
- *Special Provision:* All Government existing/Proposed IT/Industrial parks will have 10% of the space earmarked for successful startups.

5.3. Single Window Clearance system:

Startups would be benefitted by the presence of robust Single Window Clearance system in the State. They would be given preferential treatment for rapid and timely clearances.

5.4. Exit Clauses:

A Startup will cease to receive benefits under this policy upon reaching turnover of INR 25 Crores or 5 years from its date of incorporation/registration, whichever is earlier.

6. Governance:

To foster innovation in the State, and to coordinate all the Entrepreneurial activities and funds, Government of Jharkhand will form a dedicated Society/ Company. The entity shall have a Governing board would be constituted with members from Government, experts from Industry, Academia, Private Incubators and VC firms operating in the State. This board shall constitute a "*State Evaluation Board*", which will be the final decision making body for the selection of the startups.

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

6.2. Procedure:

Application Process:

- The application for stipend has to be either submitted in partnering Institutions of higher learning or has to be submitted through one of the Government recognized private/public incubation centers across the country. The Application can also be submitted online, once the required infrastructure is at place
- A tentative business plan in predefined format has to be submitted along with the application form. The application will then be scrutinized at the primary level, before forwarding it to Evaluation board with its recommendations. The *State Evaluation board* will be the final decision making body for selection.

- Government of Jharkhand would organize Startup/ Idea fests/Business competitions in cities like Bangalore, Delhi, Kolkata, Jaipur, Mumbai, Hyderabad, Pune, and Bhubaneswar to attract ideas/startups. The ideas/startups selected from these events would be placed in the Incubators or accelerators present in Jharkhand. They have to get their entity registered in Jharkhand in-order to avail incentives and perks offered by the government.
- Information regarding the business plan competitions, Idea fest, Application for Incubation will be disseminated through active social media engagement, leading newspapers and other relevant sources.

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Department of Industries will review the Policy annually

Definitions:

Annexure 1

Innovation: The process of translating an idea or invention into a good or service that creates value for which customers will pay. Innovation involves deliberate application of information, imagination and initiative in deriving greater or different values from resources.

Startup: Startup means an entity, incorporated or registered in India not prior to five years, with annual turnover not exceeding INR 25 crores in any preceding financial year, working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

Provided that such entity is not formed by splitting up, or reconstruction of a business already in existence.

Provided also that an entity shall cease to be a Startup if its turnover for the previous financial years has exceeded INR 25 crores or it has completed 5 years from the date of incorporation/ registration.

Provided further that a Startup shall be eligible for tax benefits only after it has obtained certification from the Inter-Ministerial Board, setup for such purpose.

Successful Startup: Startup would be considered successful once it raises series "B" funding i.e. second round of financing by Private Equity Investors or Venture Capitalists.

Entity: Private Limited Company (under The Companies Act, 2013) or a Registered Partnership Firm (under The Indian Partnership Act, 1932) or Limited Liability Partnership (under The Limited Liability Partnership Act, 2008)

Accelerator: Accelerator is an organization or program that enables rapid growth of new Startups by providing specific services like: mentoring, training, resources and networking to help Startups increase their customer base, generate more profits, prepare for funding and professionalize their organization

Entrepreneurship: Is the act of being an entrepreneur, it implies the capacity and willingness to undertake conception, organization, and management of a productive new venture, accepting all attendant risks and seeking profit as a reward.

State Evaluation Board: It is a special board created by the Nodal Agency of the state for the evaluation of the proposals received from Individuals, groups, startups or

Turnover: As defined under The Companies Act, 2013

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