

**Department of IT & E-Gov
Government of Jharkhand**

STARTUP POLICY-2016



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IT & E-Gov, Government of Jharkhand)



MESSAGE

Innovation unlocks undiscovered potential and is close to innovator's heart. In business scenario, while innovation brings new products and services to customers, it takes a lot of effort and resources for innovators to bring it to market.

In the process, there is lot of risk that the innovators take. At the same time, innovation need a conducive ecosystem to make space for their innovation, survive and excel. What Government can do is support the innovators to be successful.

With this aim, I am pleased to present a well thought about Startup Policy 2016 from Government of Jharkhand which brings together benchmarked practices from other parts of the world. Mission is to create a conducive and enabling ecosystem to facilitate the growth and scaling up of at least 1000 direct startups, and support 1500 startups virtually, by the year 2021. Financial incentives, exemptions and facilitation provided will help reduce risk for the innovators.

Key elements of startup ecosystem will get support under this policy. Support to set up Incubation Centres is at the focus of the policy, which is augmented through capital availability from financial institutions and angel investors. Support for incubation centres is also provisioned at educational institutions.

Provision for Jharkhand Entrepreneurship Development Fund will promote entrepreneurship in the state and developing infrastructure.

I am sure that this policy will put Jharkhand among the leading startup states in the country by the year 2021, providing enabling environment for creation of successful, innovative and impactful enterprises.

I congratulate the Department of Information Technology and e-Governance which has worked hard on bringing out this policy for development of this sector.

I wish all the success in implementation of the policy.

Best wishes,



(Raghubar Das)
Chief Minister

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Preamble

Jharkhand as 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 for every strata of the society by providing equitable ecosystem for development of entrepreneurship and innovation.

As the State recognizes that there cannot be “one size fits all” approach; this policy will **enable, empower and engage** start-ups from very early stage and be the partner in their growth journey. While this policy focuses on effective short-term measures to boost entrepreneurship, revitalize economy 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 leading startup States in the country by the year 2021, by providing enabling environment for creation of successful, innovative and impactful enterprises

Mission: To create a conducive and enabling ecosystem to facilitate the growth and scaling of at least 1000 direct startups, and support 1500 startups virtually, by the year 2021.

Objectives

- To create 1,00,000 sq.ft. of dedicated incubation space offering end-to-end support for the startups in the State.
- To create a fund of funds (FOF) by public-private partnership (PPP) 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
- To promote gender equality, environment sustainability and improve social factors among others.

- To promote entrepreneurship in educational institutions (primary, secondary and higher educational institutions)

Policy Validity: This policy will be valid for 5 years from the day of notification

Components of Jharkhand Startup Policy 2016

Government of Jharkhand proposes a two pronged approach to create a robust startup –cum- entrepreneurial ecosystem under its Startup Policy 2016. The first part of the policy proposes a Startup Jharkhand action plan while the second part of the policy elucidates the various enablers that are required for creating successful startups as well as creating the larger entrepreneurial eco-system in the State.

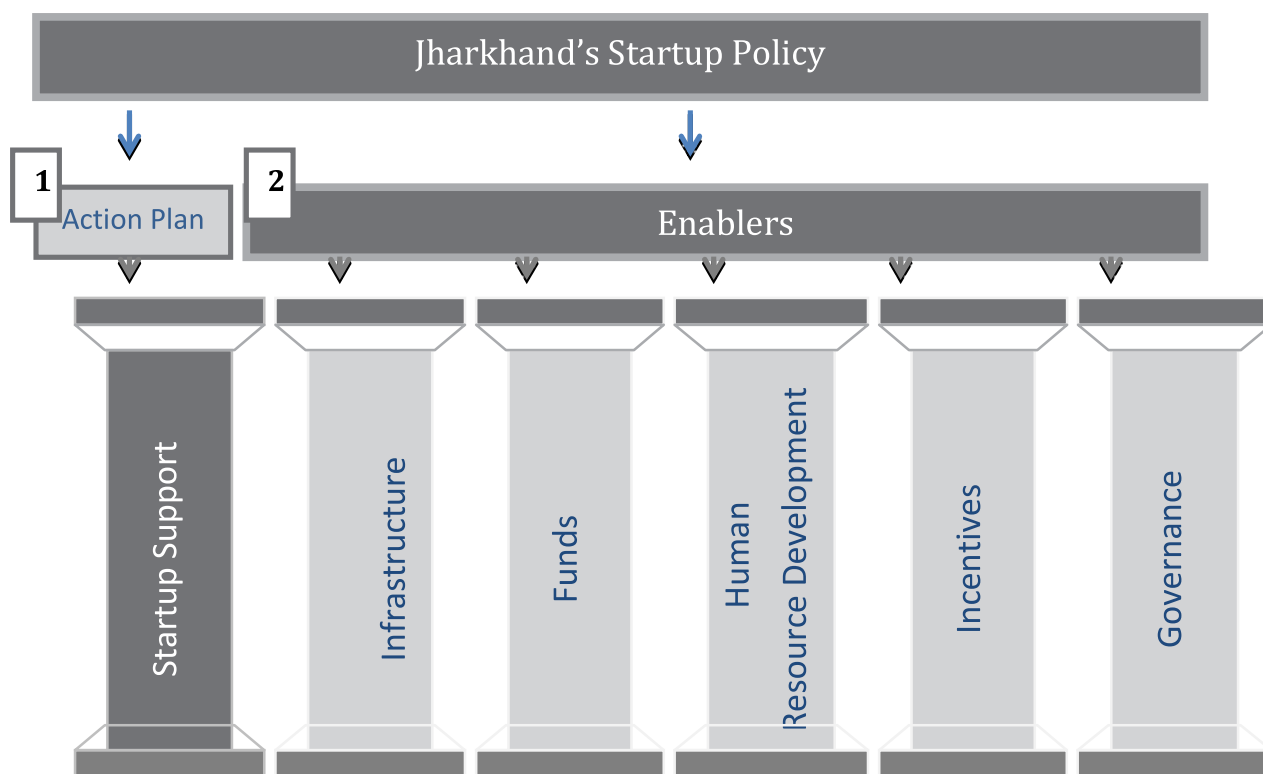


Figure 1: Components of Startup Policy 2016

1. Action Plan

1.1. Startup support

This action plan aims to offer support tailored to the need of each entrepreneur and the current stage of development of their Idea/venture. It shall provide one-on-one customized support covering a broad range of topics, services, and resources important to the growth of new startup companies through government/government supported incubation centers and accelerators.

1.1.1. Key focus areas

- Technology: IT/ITeS, Internet of Things (IoT), AI, Machine Learning, Robotics
- Healthcare technology& life sciences
- Renewable & clean energy
- Rural tourism, water & sanitation
- Agro & food, crafts
- Education
- Electronics manufacturing and automation
- Automation around captive industries
- Startups focused on social issues
- Rapidly emerging disruptive technologies

This is just an indicative list and not exhaustive.

1.1.2. Idea/seed/prototype stage - Support and funding

- Any individual or group of individuals with an innovative idea/concept can apply for selection. A '*State Evaluation Board*' shall select the idea/concept based on pre-defined criteria and their decision will be final.
- The selected individual or the group shall be provided with a stipend of INR 5000 per group member (maximum 3) per month for up to 12 months as a subsistence allowance from the selection date.
- Females and divyang (differently abled) members from the selected concept/idea shall be eligible for additional INR 2000 per month above the subsistence allowance
- This is not a research grant. During this duration, the selected individual/group has to work on:
 - a) Idea development and concept validation

- b) Prototype development
- c) Business plan development
- The selected idea/concept will be eligible for maximum financial support of INR 10 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 1 years.
- The Idea/concept will be registered as a '*Startup Entity*' during this period of incubation.

1.1.3. 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 INR10 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. Enablers

2.1. Infrastructure

Government of Jharkhand is committed to build connective infrastructure between 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.

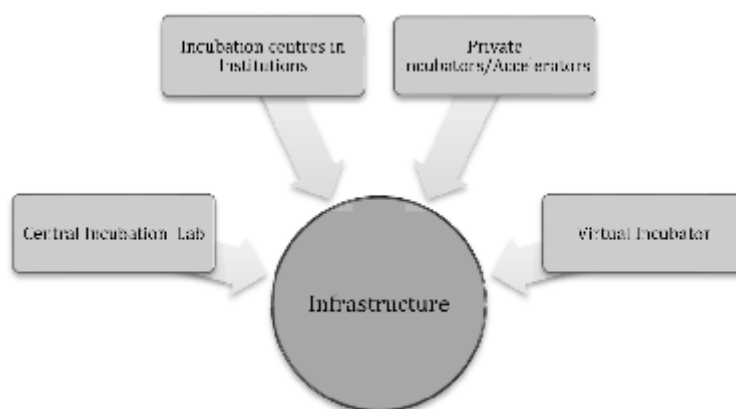


Figure 2: Overview of the Infrastructure

2.1.1. Central Incubation/Innovation 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. The center 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 incubation facilities as well as conduct accelerator programs. This lab will also act as the facilitator for the peripheral incubators in institutions of higher learning and private incubators.

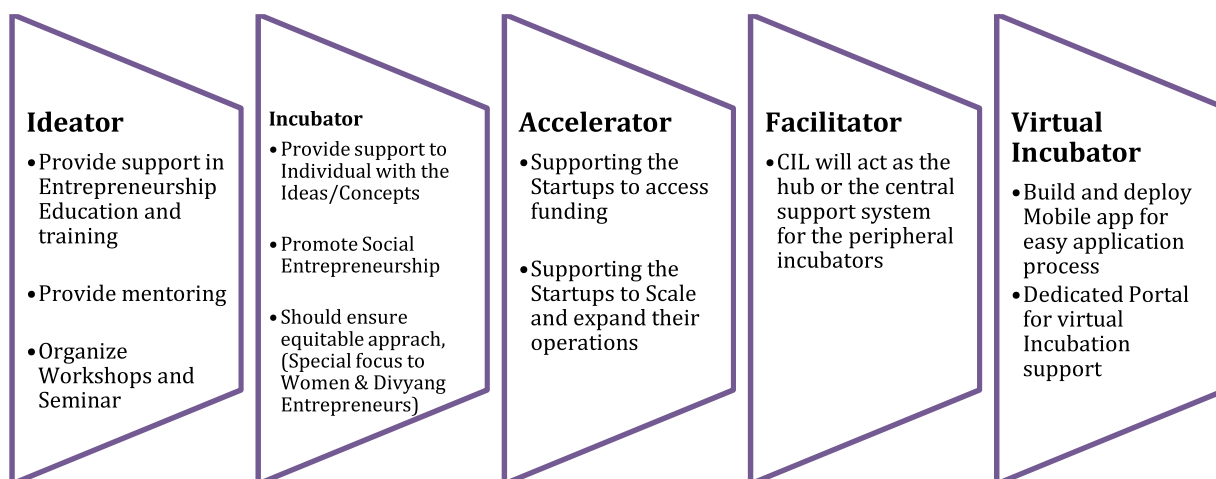


Figure 3: Overview of the mandate of Central Incubation Lab

List of key facilities envisaged in Central Incubation/Innovation 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:

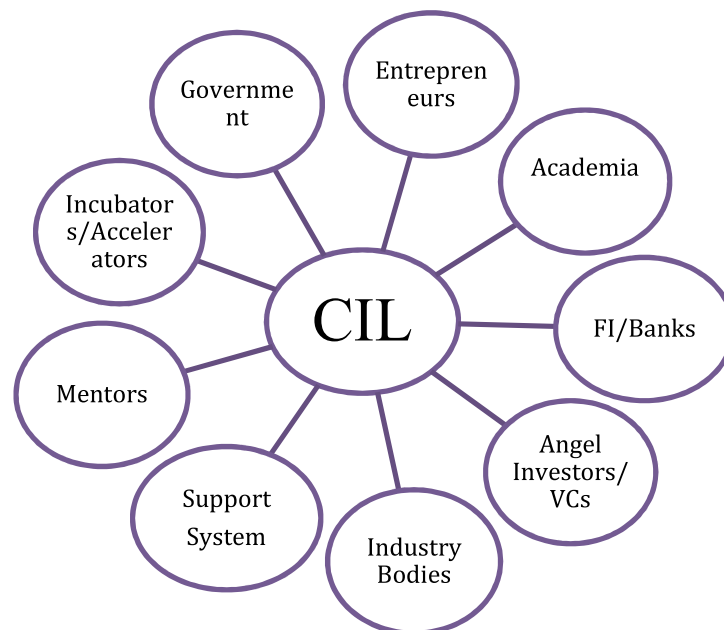


Figure 4: Overview of the ecosystem envisaged around Central Incubation Lab

2.1.2. 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 innovation in the educational institutes.

- Government funded reputed and prestigious institutes of Jharkhand would be provided with a sum of INR 50lacs annually for the first 5 years (maximum 10 institutions can be given this grant in the first year) for setting up of incubation/innovation centers.
- The selected institutions will enter into a performance contract with the State government to successfully operate the center for at least 5 years, and mentor at least 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.
- These Incubators will be responsible for creating a self-sustaining business model needed for the execution of the incubator after the end of the support period of 5 years.
- A special incentive of INR 10 lacs would be given to the incubator for every successful startup (Startup that raises series B funding) they incubate.

Note: Incubation centers in government and private institutions will be free to select the ideas/projects from students/individuals or groups, but these ideas/projects have to be approved by the '*State Evaluation Board*' in order to avail the stipend and incentives given by the State government.

2.1.3. 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 from the start of their operation in the State.

- These incubators have to enter into a performance contract with the State government to successfully operate the center for at least 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.
- Private incubators will be responsible for creating a self-sustaining business model needed for the execution of the incubator after the end of the support period of 5 years.
- A special incentive of INR 10 lacs would be given to the incubator for every successful startup (startup that raises series B funding) they incubate.

Note: Private incubation centers will be free to select the ideas/projects from individuals or groups, but these ideas/projects have to be approved by the ‘*State Evaluation Board*’ in order to avail the stipend and incentives given by the State government.

2.1.4. 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 startup projects in the state.

2.1.5. 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.

2.2. 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

2.2.1. Jharkhand Venture Capital Fund

- Government of Jharkhand will pool a fund of INR 250 Cr in phases over the next five years, starting with INR 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*.

2.2.2. Jharkhand Entrepreneurship Development Fund

Government of Jharkhand would set up a separate corpus fund of INR 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) stipulated for startups under this Policy

5% of the corpus will be earmarked for meeting out the cost of project management and other overhead costs.

2.3. 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 center 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 training schemes, facilitating the use of startup kits in schools etc.

2.3.1. 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. The Central Incubation Lab will help them to upgrade their curriculum in-order to introduce mandatory courses on entrepreneurship and financial literacy. Universities in Jharkhand will be encouraged to provide attendance requirement relaxations, if the student is selected under the startup policy/scheme.

2.3.2. State funded Schools Syllabus

The state schools curriculum will be updated to incorporate modules on basic electronics, entrepreneurship, digital and basic financial literacy to develop an aptitude amongst the students. The Central Incubation Lab will provide assistance to the Department of Education and School Literacy for the updation of the syllabus.

2.3.3. Faculty Up-gradation and training

Faculties would undergo a tailor made training at the State's Central 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

2.3.4. Provision of 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. This provision can be extended up to 3 years for students pursuing their own Startup. The student needs to have at least 31% equity in their startup in order to avail this added relaxation.

2.3.5. 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.

2.3.6. Mandatory apprenticeship:

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

2.3.7. Interest reimbursement for Student loans:

The students whose ideas/concept are be selected by the *State Evaluation Board* for incubation in government/ government funded incubation centers, shall get their interest reimbursed for study loans for a period of 3 years after graduating from the academic institution where they are pursuing their education.

2.3.8. 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.

2.3.9. Idea Boot camps/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.

2.3.10. Business Plan competitions/Workshops

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

2.3.11. Scientific Conferences/Workshops for Academia-Industry cooperation

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

2.3.12. Weekend Business Challenge Programs

Startup weekends would be organized specially targeting Individuals who are in service or jobs. These events would facilitate their participation and help them to leverage their experience to enter into the realms of entrepreneurship.

2.3.13. Special Platform for experience sharing

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 and give them a platform to share their experiences and learning.

2.3.14. 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.

2.4. Incentives

2.4.1. 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.

2.4.2. Financial Incentives

All incentives listed below shall be applicable for a unit till the time it remains a 'startup' as defined by Government of India.

- *Reimbursement of VAT paid by startups:* The startups, which are registered in Jharkhand, will be entitled for 100% reimbursement on the VAT 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.
- *Reimbursement on lease rentals:* A reimbursement 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 startup 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 (SEZ).
- *Local Preference in tender:* The Startups which are registered in Jharkhand shall be entitled for:
 - a) Entitlement for the price preference of L1 + 20%.
 - b) Exemption from prior experience and turnover criteria of the tenders subject to following turnover mentioned in the tender document:
 - i. Up to INR 1 (one) crore: complete waiver in turnover and experience criteria
 - ii. INR 1 (one) crore to INR 5 (five) crore: 30% waiver in the turnover criteria and waiver in experience
 - iii. Above INR 5 (Five) crore: no waiver in turnover and experience
- *Special Provision:* All existing government /proposed IT/Industrial parks will have 10% of the space earmarked for startups.

2.4.3. Single Window Clearance system via online portal

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.

2.4.4. Special features and Facilities

Start-up only branch of Bank: Government will Jharkhand will invite banks in the State to set up Startup only branch which could focus on special needs of startups like opening of bank accounts for proprietorships, easier foreign exchange facilitation, easier handling of loan requests for startups, and by providing trained staff specializing in startup issues.

Collaboration with Global Accelerators, Incubators: International collaboration with leading global accelerators will be a key pivot of this policy. Government will invite and partner with leading global accelerators and incubators across the globe to facilitate the startup ecosystem in the state.

Jharkhand Start-up Champion: The State strives to impact startups directly just not by financial incentives but also through a system of recognitions. The following recognitions will be provided through merit based selection from public private partnerships, and declared on knowledge portals:

1. Jharkhand Start up Champion: For Introducing the most innovative idea
2. Best Student Startup
3. Best startup in Social sector

Entrepreneur Speak: To expose people of Jharkhand to the best and brightest entrepreneurs in the world, Government of Jharkhand will make special efforts to get leading entrepreneurs to speak in Jharkhand under “Entrepreneur Speak” program.

One Form Policy: To simplify procedures accessing the schemes and approvals under this policy, the government will ensure creation of just one single form which will be required to fill to access all services.

Support for Entrepreneur Associations: Local entrepreneur associations and networks in the State would be encouraged to form and facilitate entrepreneur association, meet up groups, voluntary associations of people interested in entrepreneurship.

Public portal and app: A special ‘*Start-up Jharkhand*’ portal and app would be created which will provide details of successful startups and implementations, non-started and failed implementations. This portal and app would also be used to accept applications for incubation, registration, tracking status of application, filing compliances, applying for schemes, and collaboration with ecosystem partners

2.4.5. Exit Clause

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

2.5. Governance

To foster innovation in the State, and to co-ordinate all the entrepreneurial activities and funds, Government of Jharkhand will form a dedicated Society/ Company, which shall act as the nodal agency. This nodal agency would administer the incentives in a speedy, time-bound and transparent manner as well as oversee the development of entrepreneurial ecosystem in the State.

This nodal agency shall constitute a ‘*State Evaluation Board*’ for fix terms, which would be comprise of members from government, experts from industry, academia, private incubators and VC firms operating in the State. This board shall be the final decision making authority for the selection of the ideas/ concepts or startups for support.

2.5.1. 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.

Department of Information Technology & e-Governance will review this 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: Startups (means and includes) individual/companies/entrepreneurs working on their idea/concept, having 0-5 years in business and employee strength of 0-50.

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

Provided 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 in case of registered entities, or 5 years since the proprietorship was formed.

Provided that a startup shall be eligible for tax benefits only after it has obtained certification from the '*State Evaluation 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: A special fix term board formed by the nodal agency for the evaluation and selection of the proposals received from Individuals, groups, and startups.

Hybrid Institution: A hybrid institution is a combination of incubator and accelerator.

Turnover: As defined under The Companies Act, 2013