



GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION

#startupindia

Uttar Pradesh

ASPIRING LEADER

State Startup Ranking Exercise 2018

December 2018

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1. Overview of State Startup ecosystem

The State of Uttar Pradesh, the largest State in India, offers strong incubation through academic institutions, one-stop Startup portal, fiscal incentives and support throughout the life cycle of a Startup. As a result, it has achieved the status of '**Aspiring Leader**' in the State Startup ranking exercise conducted by Department of Industrial Policy and Promotion, Government of India.

Some of the key highlights of its Startup ecosystem are as follows:

1. The nodal department for Startup is **Information Technology and Electronics Department, Government of Uttar Pradesh** and nodal officer is **Additional Chief Secretary, Information Technology and Electronics Department.**

The Government of Uttar Pradesh administers the following forms of support:

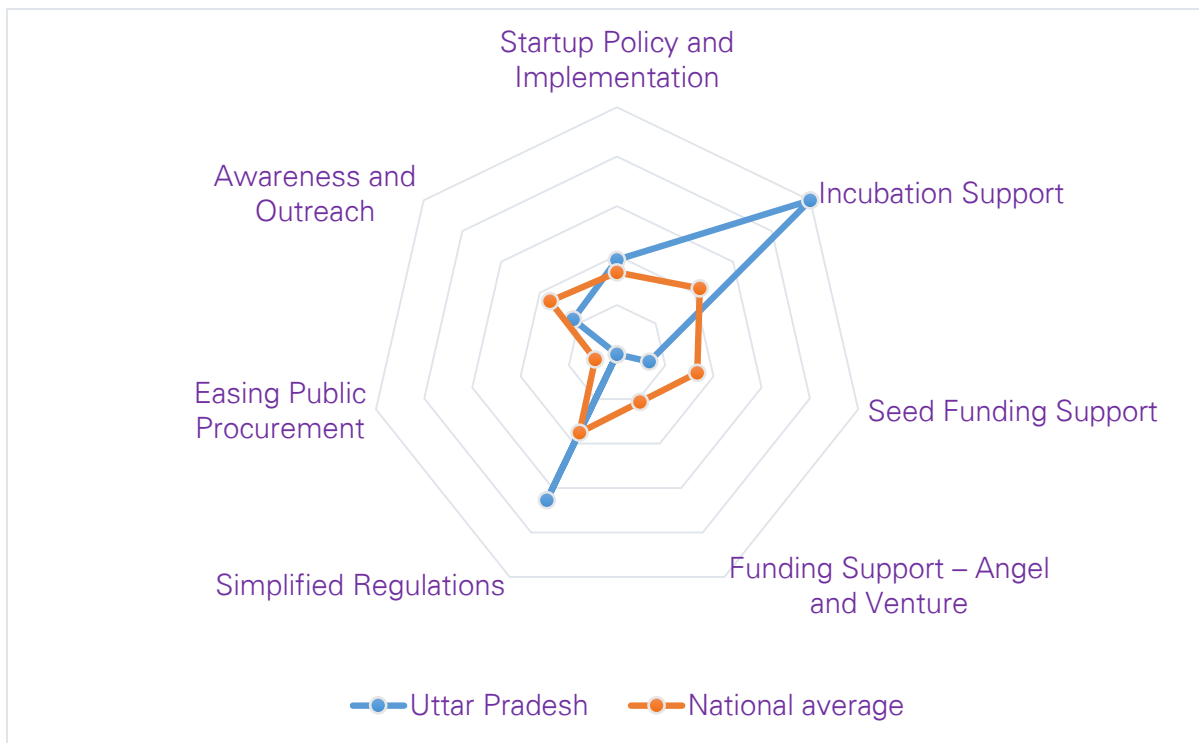
- Startup portal
 - Mentorship
 - Bootcamps and Hackathons
 - Strong incubation
2. **Uttar Pradesh Electronics Corporation (UPLC)** is the dedicated nodal agency for driving the Startup agenda in Uttar Pradesh.
 3. **Startup cell of Uttar Pradesh** comprises:
 - Deputy General Manager
 - Consultant (Legal & Secretarial)
 - Consultant (Accounts)
 - Consultant (Computer Education, Hardware, Pre-Dispatch Inspection)
 - Senior Manager (Software)

KEY HIGHLIGHTS OF THE STATE'S INITIATIVE

- ✓ The State has supported 5 Incubators in the following locations: IIM Lucknow, IIT BHU, iB Hubs, Kamla Nehru Institute of Technology Sultanpur, and IT Upvan
- ✓ The State held a Startup Yatra across 7 cities from November 2017 to January 2018 focused on encouraging entrepreneurs from Tier 2 and Tier 3 cities

2. Snapshot of State performance

The spider web graph below details out State's implementation status on each of the 7 areas of assessment, in comparison to the national average.



Government of Uttar Pradesh has done exceptionally well in pillars such as 'Incubation Support' and 'Simplified Regulation' having done significantly better than the national average. Though the State of Uttar Pradesh has taken necessary steps to strengthen their Startup ecosystem, State needs improvement in pillars such as 'Easing Public Procurement,' 'Funding Support – Angel and Venture Funding,' 'Seed Funding Support' and 'Awareness and Outreach.'

The detailed analysis of the State's performance is described in the next section.



3. Pillar wise assessment

3.1. Startup Policy and Implementation

Startup Policy and Implementation covers the basic information related to Startup ecosystem such as Startup policy, nodal department, nodal officer, information wizard and mentors in the State. Additionally, it also verifies whether such details are available online for Startups. The State is also expected to develop online systems for registering Startups under the State startup initiative and to allow Startups to avail all the policy incentives online through a single-window.

Key Strengths

a) Startup policy

The State notified the Uttar Pradesh Information Technology & Start-up Policy in 2017 with the vision **“to develop IT as a vehicle for holistic socioeconomic development of Uttar Pradesh with a focus on creating employment, promoting entrepreneurship, innovation and enhanced quality of life”**. The policy details out some of the progressive initiatives of the State such as the CM Helpline to reach out to citizens proactively, m-governance, IT parks, Incubators etc. It also highlights some of the IT infrastructure development in order to provide infrastructure facilities to facilitate the entrepreneurship in the State. In addition, it lays out a comprehensive list of the **incentives offered for promoting Startups** by providing incentives directly to Startups or providing incentives to Incubators which in turn would support Startups.

The incentives offered to Incubators under the policy include **reimbursement of capital grant, financial support covering operational expenditure, rebate of lease and rental charges, reimbursement of paid stamp duty and registration fee, reimbursement of electricity duty, mentorship assistance and providing an empanelment of experts**. Some of the incentives offered to Startups are sustenance allowance, marketing or commercialisation assistance, reimbursement of patent filing cost, ability to file self-certifications, incubation space in Incubators across the State etc. The policy also defines a ‘Startup’ for the purposes of defining eligibility for the offered incentives.

b) Nodal department and officer

The Nodal department for Startup is **Information Technology and Electronics Department, Government of Uttar Pradesh** and **nodal officer is Additional Chief Secretary, Information Technology and Electronics Department**. The contact details of the Nodal Department and Officer have also been provided on the State’s Startup portal for Startups to reach out to.

c) Nodal agency

The Uttar Pradesh Electronics Corporation forms the Nodal Agency to promote IT/ITeS units, Startups, Incubators etc. and encourage Host Institutions in the State and for implementing the State's IT & Startup Policy.

d) Innovation society

An Innovation Council has been set up in the State for purpose of creating a culture of innovation and entrepreneurship.

e) Progress monitoring

The State monitors the progress of the Innovation Policy through progress reports which are published on the State's Startup portal.

f) Mentorship

The State-registered mentors are listed on the State Startup portal with the Name, designation and profile.

Way forward

- **Availability of information wizard**

State has an online information wizard for entrepreneurs and Startups regarding business approvals in the State. However, the online information wizard does not provide details of all applicable State and central level approvals or clearances (sector-wise) required by entrepreneurs to set up, operate and exit a business in the State. Some of the good practices adopted by other States in developing the information wizard are highlighted in the national report for reference of all States.

- **Develop a query resolution system**

A dedicated Startup support system (such as on call support or email support or online chat or physical center) shall be established by government with competent staff to resolve queries related to Startups. Helpline shall capture contact details (email ids and mobile numbers) of users and should generate customer satisfaction scores. Some of the good practices adopted by other States in developing effective query resolution are highlighted in the national report for reference of all States.



3.2. Incubation Support

Incubation Support covers State's performance in supporting or setting up Incubators for nurturing Startup ideas. Incubator is a key component of a Startup ecosystem and provides access to essential business resources to enable growth of the Startups. State has a major role in creating infrastructure that promotes innovation and ensures their sustainability. Another important criteria is to ensure that Incubators are accessible and affordable for Startups.

Key Strengths

a) Support to Incubators

The State has supported 5 Incubators in the following locations: IIM Lucknow, IIT BHU, iB Hubs, Kamla Nehru Institute of Technology Sultanpur, and IT Upvan.

The State also offers several incentives to Incubators in its IT and Startup policy. These include:

- Capital grant on setting up of incubation infrastructure
- Operational expenditure support in running the Incubator for 5 years
- Rebate on lease or rental space on the space in the Incubator or accelerators for a period of 5 years
- Reimbursement of paid stamp duty and registration fee on sale, lease, transfer of land and office space for the first transaction
- Electricity duty reimbursement for a period of 5 years
- Mentorship assistance shall be given to mentors associated with the Incubator for covering expenses incurred on coaching, guiding, travelling etc.
- The State Government shall empanel a pool of experts from diversified field such as accounting, legal, financial, marketing etc. to provide such services to Startups or Incubators

b) Incubation area

The incubation area under the State-supported Incubators is more than 30,000 square feet.

c) Subsidised incubation provided to Startups

The State has provided subsidized incubation to more than 10 Startups in Incubators supported by the State and administers incentives and support them.

Way forward

• Setting up Incubators

State may explore the opportunity of setting up Incubators in top academic institutes. Corporates may be encouraged to setup Incubators in a PPP mode with support from State Government. This will also help the State in setting up more Incubators. State is also encouraged to create awareness about its incubation facilities thereby more Startups get State supported incubation facility.



3.3. Seed Funding Support

In an evolving Startup ecosystem, many ideas are born and the initial seed support works as a catalyst to transform these ideas into businesses of tomorrow. Seed Funding Support is one the key pillars of the framework and under this pillar, States are encouraged to:

- Develop seed funding guidelines
- Develop online systems to enable Startups to apply for seed support
- Measure the impact created by State by providing seed funding to Startups

Key Strengths

The State provides marketing or commercialization assistance to Startups as seed funding. The State has supported 6 Startups so far in the period between January 2016 and April 2018.

Way forward

- **Guideline and online system for seed funding**

State shall design seed funding guidelines and an online system for disbursing seed funding to Startups. The guideline may detail the process and extent of seed funding support available for Startups. The online system should provide application procedure(s) along with functionality of applying online, online approvals and online status tracking for availing seed funding being provided by State. Some of the good practices adopted by other States in providing designing seed funding guidelines are highlighted in the national report for reference of all States.



3.4. Funding Support – Angel and Venture Funding

It is observed that once a Startup starts gaining traction, there is typically a gap in accessing the growth stage funds to scale up operations. States can play a vital role in bridging the gap by providing incentives for angel investors to attract investments in State based Startups. Another important measure to support growth stage Startups is venture funding where States have been recommended to support or create Venture Fund(s) or Fund of Funds for Startups.

Way forward

a) Angel funding

State has signed MoU with Indian Angel Network (IAN), which has agreed to invest up to INR 200 crore in UP based Startups in coming year. However, State should undertake more steps to promote angel funding such as providing incentives to angels for their investments in Startups. State is encouraged to conduct regular workshops and networking events for awareness regarding State interventions in this regard with high net worth individuals (HNIs), industrialists, angel investors, angel groups, angel networks etc.

b) Venture fund(s) or fund of funds for Startups

State has signed MoUs with two venture funds (Venture Catalysts and Orio Venture Advisors) for investing in UP based Startups. As a next step, State Government may create funds with venture partners and create operating guidelines for funds.

c) Supporting Startups through venture funds or fund of funds

State is encouraged to facilitate funding to Startups through venture fund(s) or fund of funds supported by it to help Startups in scaling up their product.



3.5. Simplified Regulations

Often, new and small firms are unaware of the nuances of the regulatory 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.

The framework recommends State to undertake reforms by

- Enabling self-certification and/or third party certification for Startups under all applicable labour laws
- Developing online system to facilitate self-certification and/or third party certification
- Supporting Startups working in new or disruptive areas and technologies
- Designing process for publishing policies and regulations regarding adoption of disruptive technologies and business models

Key Strengths

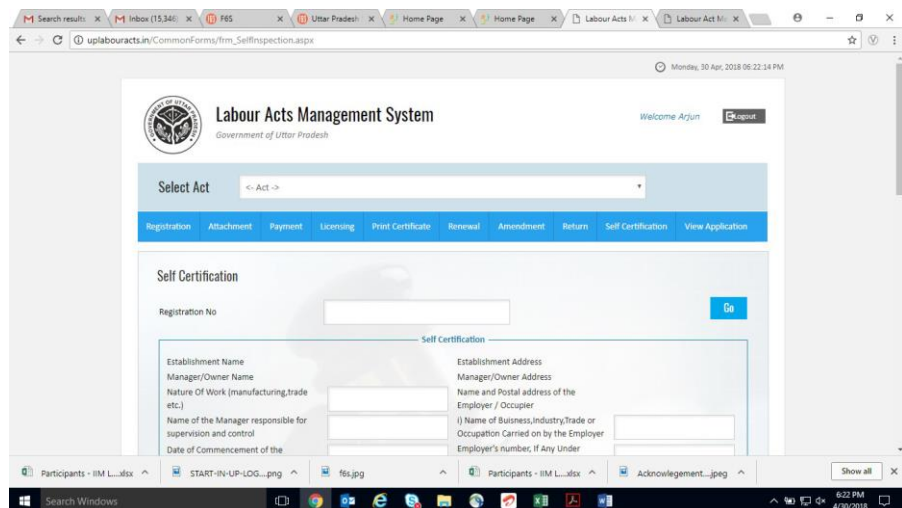
a) Self-certification for Startups

The provision of self-certification (on the basis of risk) has been made available in the State for 6 labour laws, and these include:

- The Factories Act
- The Maternity Benefit Act
- The Shops & Establishments Act
- The Contract Labour (Regulations & Abolition) Act
- The Payment of Wages Act
- The Minimum Wages Act

b) Online system for self-certification

The State's online system for self-certification can be accessed through the State's Startup portal and allows the user to apply for self-certification and download the certificate of acknowledgement.



The screenshot shows the 'Labour Acts Management System' web portal for the Government of Uttar Pradesh. The page is titled 'Self Certification' and features a navigation menu with options: Registration, Attachment, Payment, Licensing, Print Certificate, Renewal, Amendment, Return, Self Certification, and View Application. The 'Self Certification' section includes a 'Registration No' field with a 'Go' button. Below this, there are two columns of form fields: the left column contains 'Establishment Name', 'Manager/Owner Name', 'Nature Of Work (manufacturing,trade etc.)', 'Name of the Manager responsible for supervision and control', and 'Date of Commencement of the'; the right column contains 'Establishment Address', 'Manager/Owner Address', 'Name and Postal address of the Employer / Occupier', 'i) Name of Business,Industry,Trade or Occupation Carried on by the Employer', and 'Employer's number, if Any Under'. The browser's address bar shows 'uplabouracts.in/CommonForms/firm_SelfInspection.aspx' and the system clock indicates 'Monday, 30 Apr 2018 06:22:14 PM'.

c) Disruptive Technologies

Several new and disruptive areas have been identified in the State policy such as Big Data, Cloud Computing, Internet of Things (IoT), Machine Learning, Artificial Intelligence, etc. Centres of

Excellence, which is a space to promote R&D in these disruptive technologies, are planned to be set up in the State to support Startups working in these disruptive sectors.

Way forward

- **Policies or regulations regarding adoption of disruptive technologies and business models**

State may also publish draft regulations or policies to support Startups in disruptive areas. The due process as described may be followed to design futuristic policies.

1. Invite public comments or feedback and hold stakeholder consultations
2. Policies or regulations should be made considering long term impact of the technology or business model
3. Stakeholders should be consulted and feedback may be incorporated
4. Duration for inviting public comments should be at least 30 days
5. The decision of Delhi Government should be published in public domain

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3.6. Easing Public Procurement

State Government shall provide an equal platform to Startups vis-à-vis the experienced entrepreneurs and companies in public procurement. 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” or “EMD”. Such a stipulation impedes Startups from participating in such tenders. In order to promote Startups, the framework recommends action points to States to do away with such conditions.

Way forward

a) Do away with criteria of ‘prior experience’, ‘prior turnover’ and ‘submission of EMD’ for Startups in public procurement

Startups cannot compete with established players on ‘prior turnover’ and ‘prior experience’ criteria. Similarly, ‘submission of EMD’ is another big hurdle for Startups. Hence, Startups lose out on delivering superior and cost effective solutions to Government. The end objective of floating a public tender is to identify an organization that can provide best solution at a low cost. Startups can fulfill the objective provided they are allowed to participate in the Government tenders with no deterrent of ‘prior experience’, ‘prior turnover’ and ‘submission of EMD’. State Government may consider removing such criteria completely for Startups from all the public tenders. The amendments may be brought to State General Financial Rules or Procurement rules which apply to all the State Departments, PSUs and agencies.

Furthermore, Startups like MSMEs shall be given preference in percentage terms in the total State procurement. The preference may be given in price or in value of procured goods or services. Some of the good practices illustrated in the national report may be used for reference.

b) Grievance redressal mechanism for Startups on public procurement issues

In addition to above relaxations and preferences, State Government should develop online or offline mechanism in the nodal Department for resolving the grievances of Startups. State Government can assign a dedicated officer to liaise with other Government Departments concerned and complainant to resolve issues in a time-bound manner.

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3.7. Awareness and Outreach

State Government plays an important role in human capital development and thus the framework in this area evaluates efforts taken to promote entrepreneurship among students. Also, it encourages State to directly reach out to ecosystem components through events, hackathons, bootcamps, etc.

Key Strengths

a) Bootcamps (Startup Yatra)

Startup Yatra UP event was organized in collaboration with Startup India team across various cities holding 7 workshops in Lucknow, Kanpur, Agra, Bareilly, Varanasi, Gorakhpur, and Greater Noida. Yatra was conducted from November, 2018 to January, 2019 in collaboration with iB Hubs. The initiative focused on encouraging entrepreneurs from tier 2 and tier 3 cities and ensuring mentoring opportunities for budding entrepreneurs in these cities.



b) Entrepreneurship cells in each district

The State has set up Entrepreneurship cells in each of its 75 districts. All educational institutions which come under the district are connected to the innovation cell of that district. The colleges are connected as the agenda of innovation in the State is taken care of by Higher Education (Technical Education) Department, Planning Department and Science & Technology Department.

The major activities of these cells are to sensitize public and college students regarding innovation and support their district higher education institutions in their innovation and entrepreneurship efforts. They also process proposals of innovative entrepreneurship they receive and pass it on to relevant departments.

Way forward

- **Conduct Startup outreach event**

Startup fests or events are dedicated events to provide a platform to Startups for showcasing their ideas or products and services to the ecosystem components. Startups also get an opportunity to connect with other ecosystem components. State Government may organize such Startup events in the State at a regular interval. The State is also encouraged to support other Startup events in the State where all the ecosystem players such as entrepreneurs, mentors, investors and business experts come together.

- **Organize Hackathons**

Hackathons are challenges in which participants come up with technological solutions to given problem statements in a stipulated time window. State Government may organize Hackathons to identify innovative technological solutions and for supporting entrepreneurs in building these solutions as viable product or service offering.

- **Facilitate training programs in entrepreneurship development**

Students or aspiring entrepreneurs require basic understanding of ideation, business planning, finance, legal and pitching before they venture out to run a Startup. Entrepreneurship development programs may be organized by the State Government in colleges and universities. These programs can be designed in the form of (Massive open online course) MOOC which can be accessed by students across the State. One such programs is available with Startup India i.e. Startup India Learning and Development program.

- **Support Startup participation in national and international events**

State Government may support Startups in participation in national and international events. The support may be in the form of grants or reimbursements for travel, accommodation, registration or sponsorship to organizers to allow Startups to participate in events. In order to simplify the process and keep it transparent, application procedure for availing the assistance may be provided online.

- **Undertake partnership with other countries and/or international agencies**

State Government may undertake partnership(s) with countries and/ or international agencies such as educational, funding institutions, incubators, accelerators etc. The partnership(s) may be for knowledge and resource exchange and market access for Startups.

