#startupindia

Delhi

Emerging State

State Startup Ranking Exercise 2018

December 2018

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1. Overview of State Startup Ecosystem

Delhi has performed commendably well in important pillars of the State Startup ranking exercise 2018. The Government of National Capital Territory (NCT) of Delhi is in process of launching its Startup policy to accelerate the development of Startup ecosystem. The efforts in building up network of academic incubators have been well recognized and NCT of Delhi has been acknowledged as an **'Emerging State'** in the **State Startup Rankings 2018** conducted by Department of Industrial Policy and Promotion, Government of India.

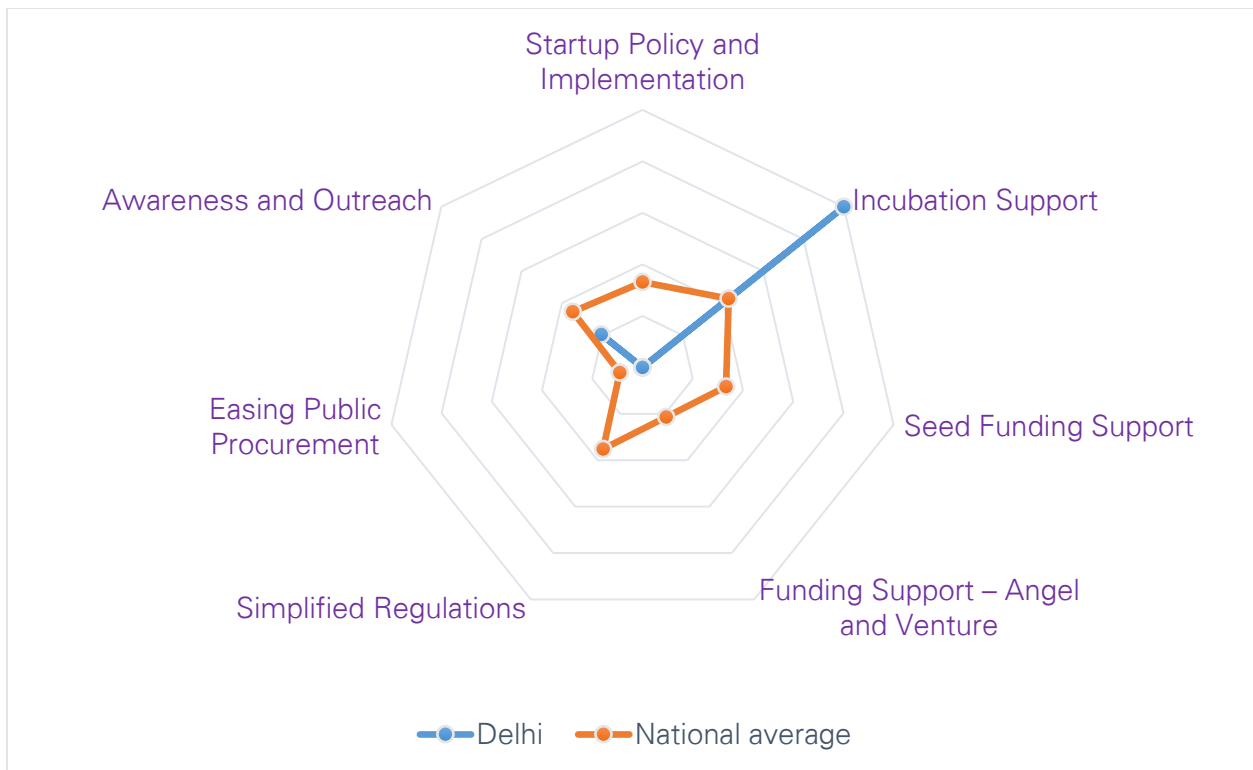Some of the key facts associated with the Startup initiative of the State are as follows:

1. Government of NCT of Delhi **launched its incubation policy in 2016**. The objective of the policy is to setup incubators in NCT supported academic institutions.
2. Nodal department for Startup is **Department of Industries, Government of NCT of Delhi.**
3. Government of NCT of Delhi is also in the process of announcing **a dedicated Startup Policy** for Startups in Delhi.

KEY HIGHLIGHTS OF THE NCT

✓ Network of 11 incubators in academic institutes supported by NCT Government
✓ Grant in aid of INR 1.5 crore to each academic incubators
✓ Overall incubation area of more than 30,000 sq. ft. supported by Government of NCT

2.   Snapshot of State Performance

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

Each of the 7 pillars of ranking framework form individual axes and the overall performance of the NCT in each pillar has been indicated on respective axes. Brief analysis of Delhi on above chart is as follows.

Delhi Government has performed exceptionally well in one pillar namely 'Incubation Support' as compared to national average. The performance of the NCT under this pillar has helped it to be recognized as an 'Incubation hub' and one of the leading States under the pillar.

The NCT has also taken initiatives in the 'Awareness and Outreach' pillar but the performance has been below par i.e. NCT's performance has not been up to the national average. NCT is yet to make concrete efforts to compete with other States under the pillars 'Startup Policy and Implementation', 'Seed Funding support', 'Angel and Venture Funding', 'Simplified Regulations' and 'Easing Public Procurement'. The NCT may prioritize initiatives or policies in providing support in abovementioned pillars. Some of the good practices may be referred to improve overall performance in the next round of ranking.

Above performance has contributed to the Delhi's positioning as an 'Emerging State' in the ranking exercise. Detailed analysis of the NCT's performance in each pillar has been provided in following chapter of this report.

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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 NCT. Additionally, it also verifies whether such details are available online for Startups. The NCT is also expected to develop online systems for registering Startups under the Startup initiative and to allow Startups to avail all the policy incentives online through a single-window.

Way Forward

The NCT Government needs to give more importance to this pillar in order to enable a basic Startup ecosystem.

- **Notify Startup policy:** The Startup policy for Delhi is under preparation and is not notified yet. It is suggested that the policy is notified by the concerned department at the earliest considering the benefits of enabling Startups in the region.

- **Incentives for Women entrepreneurs:** The Startup policy should provide benefits and incentives (fiscal and non-fiscal) for encouraging women entrepreneurship in the NCT. Since, the NCT has already drafted the policy, it can either revise the policy before it is notified or it can amend the policy later. Some of the good practices adopted by other States to encourage women entrepreneurs are highlighted in the national report for reference of all States.

- **Assign nodal department and nodal officer:** The draft Startup policy may also mention the nodal department for implementing the Startup policy. Since the policy in the process of finalization, a Government order or notification notifying nodal department may be issued for the benefit of Startups. Additionally, a nodal officer needs to be assigned by the NCT Government to lead the development of Startup ecosystem. NCT may consider appointing a

nodal officer not below the rank of Secretary to the NCT Government. The contact details of nodal department and nodal officer shall also be provided on the Startup portal.

- **Track and publish progress monitoring:** Nodal department must develop a mechanism for monitoring the progress of implementation of Startup policy on a regular basis. Department can publish reports on progress made against each policy objective (such as funding, incubation support or any other support provided) in public domain. It can also track, monitor and publish the status through a dynamic dashboard on the Startup portal. Some of the good practices adopted by other States to monitor progress of their Startup initiative are highlighted in the national report for reference of all States.

- **Appoint dedicated team and establish an innovation society:** NCT may constitute a Startup team which shall be responsible for managing the daily Startup activities. The official notification for constituting such a team shall also be available on the Startup portal. NCT shall also mention domain experience of the members of Startup team on its portal.

  Additionally, an innovation society can be established in the NCT to foster a culture of innovation and entrepreneurship in the region. NCT may nominate any department or agency through a Government order. The society shall coordinate with all the Departments and collaborate with Startup ecosystem stakeholders to conduct activities driving innovation.

- **Create online system for Startups for registration and availing benefits:** Currently, there is no system for registering Startups and no provision for Startups to check the status of their application for benefits or incentives. As the NCT announces its Startup policy, it will be important that an online system is developed that allows applicants to track the status of their application and download the registration certificate. Similarly, online system must also provide functionality of online application, status tracking and approvals for availing incentives as per the Startup policy. Some of the good practices adopted by other States for registering Startups and disbursing incentives are highlighted in the national report for reference of all States.

- **Availability of information wizard:** NCT may setup an online information wizard for entrepreneurs or Startups regarding business approvals in the NCT. The online information wizard (through a defined number of questions) should provide details of all applicable NCT and central level approvals or clearances (sector-wise) required by entrepreneurs to set up, operate and exit a business in the NCT. The wizard shall be integrated with the Startup portal. 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.

- **Building a mentor network:** In order to provide mentorship support to Startups, Government shall strive to create a pool of mentors for supporting Startups in the NCT. Mentors may be from all walks of life such as academicians, professors, business leaders, entrepreneurs, Government officers etc. Mentors should be listed on the Government's online Startup platform along with their contact details (Name, profile, and email-ID) and brief description of their experience. NCT government must facilitate interaction between mentors and Startups on a regular basis to get their continuous feedback.

- **Set up Intellectual property support centers:** IP Support Centres include setting up of Patent Information Centres (PICs) and Intellectual Property Facilitation Centres (IPFCs). These centres can be set up at educational institutions and R&D Labs, etc. The facilities related to IP Services in various domains of science and technology such as patent filing, copy right or trademark registration and technology transfer and commercialization services are provided by the center. Descriptive list of activities that may be undertaken by the IP support centers include:
  1. Patent Services
  2. Technology Transfer to Startups or MSMEs in NCT

3. Trademark and Copyright Filing
4. Providing Technological information services to the Entrepreneurs
5. Providing Patent Search reports to inventors or Startups
6. Conducting IPR, Innovation and Academia-Industry Meet workshops

The details of IP support centres along with contact details (along with name of contact person) shall be made available on the Startup portal.

- **Partnership with corporates or educational institutions:** Nodal department or innovation society may partner with business houses, corporate(s) and or educational institution(s) in and outside the region for extending their assistance to local Startups. Partner(s) may provide assistance such as professional services, mentorship, Corporate Social Responsibility (CSR) funds for incubators and or co-working spaces, software or hardware tools and other lab equipment, knowledge exchange, technology transfer and market linkages.

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3.2 Incubation Support

Incubation Support covers performance in "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. NCT 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

- **Setting up incubators**

Government of Delhi has set-up physical infrastructure for creative enterprises and collaborated with renowned academic institutions to setup incubators. Department of Training and Technical Education, Government of NCT of Delhi launched the incubation policy in March, 2016 to provide financial support of INR 1.5 Crore to higher educational institutes in the region for setting up incubation centers. As on 30th April, Department has provided financial support to 11 academic incubators. Operational guidelines for setting up of incubation centers in educational institutions with Government support have also been prepared.

NCT has financially supported following incubators for capital, operations and maintenance expenses of the facility:

1. Netaji Subhash Institute of Technology
2. Delhi Technological University (DTU)
3. Bhai Parmanand Institute of Business Studies (BPIBS)
4. Indira Gandhi Technical Univ. for Women
5. Ambedkar University Delhi (AUD)
6. Shaheed Sukhdev Singh College of Business
7. Acharya Narendra Dev College (AND)
8. Delhi Pharmaceutical Science and Research University (DPRSU)
9. Ambedkar Institute of Advanced communication Tech and Research (AIACTR)
10. College of Art (COA)
11. Indraprastha Institute of IT (IIIT Delhi)

- **Incubation area**

Government of Delhi has supported incubation area of more than 30,000 sq. ft. The support is provided through grant-in-aid of INR 1.5 crore for setting up plug and play infrastructure, and towards operational and maintenance expenditure. Details of incubation area for key incubators are as follows:

Facilities available for Startups in incubators are mentorship, access to seed funding, investor connect, access to Startup events and ecosystem partners. The supported incubators also provide free of cost incubation or highly subsidized cost of incubation.

The abovementioned initiatives from the NCT Government play a critical role in making the Delhi such a strong candidate in 'Incubation Support' pillar.

Way Forward

- **Incubators:** As per DIPP Startup recognition database, there are more than 1800 Startups based out of Delhi. The number is certainly going to increase in coming years with growing support from Delhi Government. With this background, the NCT may like to setup more incubators.

  NCT may explore the opportunity of setting up incubators in Government offices. Corporates may be encouraged to setup incubators in a PPP mode with support from NCT Government. This will also help the NCT in achieving its objective of setting up large network of technology innovation and incubation centers.

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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. NCT is expected to:

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

Key Strengths

- **Guideline for seed funding**

Government of Delhi provides seed funding support to deserving Startups through exchange of equity and a MoU with supported incubators. Some of the incubators provide INR 7.5 lacs seed money against 7.5% equity basis the approval by the investment committee.

Way Forward

- **Seed funding to Startups:** NCT may consider providing seed funding directly to Startups or by giving seed grant to incubators who can further relay the seed funding support to Startups. The seed funding support is important for a Startup at an idea or proof of concept stage and even a small amount of financial support will encourage the aspiring entrepreneurs with innovative ideas or technologies to graduate to a level where they will be able to raise investments from angel or venture capitalists. The seed funding support may also help Startups to reach a position to seek loans from commercial banks or financial institutions. Some of the good practices adopted by other States in providing seed funding support to Startups are highlighted in the national report for reference of all States.

- **Guideline and online system for seed funding:** NCT 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 NCT. Some of the good practices illustrated in the national report may be used for reference.

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3.4 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. NCT can play a vital role in bridging the gap by providing incentives for angel investors to attract investments in Delhi based Startups. Another important measure to support growth stage Startups is venture funding where NCT has been recommended to support or create Venture Fund(s) or Fund of Funds for Startups.

Way Forward

- **Angel funding:** Delhi may undertake steps to promote angel funding by consulting and partnering with existing angel networks in the country. As a first step, nodal department may identify few leading angel investors and HNIs from the region to discuss the benefits of angel investing. NCT may facilitate such discussion through workshops or networking events. Delhi already enjoys the advantage of being home of some of the well-known angel networks and angel investors.

  Additionally, NCT may design special fiscal or non-fiscal incentives to incentivize angel investors for their investments in Startups. Some of the good practices illustrated in the national report may be used for reference.

- **Venture fund(s) or fund of funds for Startups:** NCT Government may explore the opportunity of creating a venture fund or Fund of funds with an appropriate corpus for funding Delhi based Startups. In this regard, department needs to prepare clear operating guidelines for the fund and hire fund manager for managing the funds.

  Many Venture Capital funds are operating in Delhi as it is one of the leading business centers of the country. The NCT Government may consider partnering with some of the venture capitalists to facilitate funding to Startups through venture fund(s) or fund of funds.

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3.5   Simplified Regulations

Often, new and small firms are unaware of 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 NCT to undertake reforms by:

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

Way Forward

- **Self-certification or third party certification for Startups:** The labour department in Delhi may create provision for self-certification or third party certification for Startups under all applicable labour laws in the NCT. Self-certification should be provided for where there is no technical regulations which need to be complied with, such as compliance with Minimum Wages, Bonus, and Gratuity etc. Third party certification should also be provided for where technical regulations need to be complied with such as Boiler Act, Factories Act, (Lift Act) etc.

- **Support to Startups working in new or disruptive areas or technologies:** Delhi may introduce a mechanism to actively identify Startups (working in newer or disruptive areas or technologies such as Electric Vehicles, Internet of Things, Artificial Intelligence, Cab aggregators etc.) to discuss their expectations. The mechanism may include connecting through workshops or stakeholder meetings or through online platform etc.

- **Online platform for self-certification or third party certification:** In addition to including provision for Self-certification, an online system to submit self-certification or third party

certification may also be developed. The system shall provide information on application process and functionality of filing certification in respect of all applicable labour laws.

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

NCT Government shall provide an equal platform to Startups vis-à-vis the experienced entrepreneurs or 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 NCT to do away with such conditions.

Way Forward

- **Do away with the criteria of 'prior experience', 'turnover' and 'submission of EMD':** 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. Delhi Government may consider amending the rules and orders governing procurement for all the NCT Government Departments, agencies and PSUs. Following conditions may be included to provide exemptions:

  1. There would not be any minimum turnover requirement from Startups participating in public procurement process

  2. All Departments and agencies will additionally relax condition of prior experience with respect to Startups in all public procurement subject to meeting of quality and technical specifications

- **Preference to Startups in State procurement:** Delhi Government may include relevant provision in order to support Startups by providing adequate preference in public procurement of goods and or services. The preference may be provided as below:

  1. Startups quoting prices within decided %age of the lowest eligible price bid of other bidder(s) shall be eligible for purchase preference

  2. Preferential purchase shall be applicable to Startups where at least decided %age of the products should be procured from the local Startup units

3. Preference be given for procurement from Startups to the extent of decided %age of the total procurement cost

- **Grievance Redressal Mechanism for Startups for resolving public procurement issues** may be developed by appointing dedicated officer to liaison with other Government Departments concerned and complainant to resolve issues in a time-bound manner. An online or offline mechanism may be developed for Startups to submit issues pertaining to NCT Government procurement. Alternatively, the existing system of resolving grievances may be improved to include public procurement specific categories for Startups.

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3.7   Awareness and Outreach

NCT 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 NCT to directly outreach to ecosystem components through events, hackathons, bootcamps, etc.

Key Strengths

- **Organizing bootcamps**

Government of Delhi in association with NSIT IIF incubator and EDC Cell NSIT organised a bootcamp on Idea generation and Psychology of Entrepreneurs. The event garnered interest of more than 100 participants and several colleges.

- **Organizing hackathons**

Delhi Government has used Hackathon as a tool to adopt low-cost, high impact technologies into governance. It has encouraged students to innovate through Hackathon. One of the hackathon was conducted by NCT supported incubator, NSIT IIF. The event Hackheam 2018 was organized where more than 50 teams participated and worked on the identified problem statements.

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. NCT Government may organize such Startup events at a regular interval. The NCT Government is also encouraged to support other Startup events in the territory where all the ecosystem players such as entrepreneurs, mentors, investors and business experts come together.

- **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 NCT 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 Delhi. One such program is available with Startup India i.e. Startup India Learning and Development program.

- **Support Startup participation in national and international events:** Delhi Government may support Startups for 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 international agencies:** Delhi Government may undertake partnership(s) with countries and 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.

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