#startupindia

Jammu & Kashmir

EMERGING STATE

State Startup Ranking Exercise 2018

December 2018

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1. Overview of State Startup ecosystem

Jammu & Kashmir has performed well in the State Startup ranking exercise 2018. The State has taken some important initiatives especially providing seed support to Startups at early stage. These efforts have been well recognized and State has been acknowledged as '**Emerging State**' in the State Startup Ranking 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 Jammu and Kashmir notified the **Guidelines for setting up of Startup Hub & Incubator** in 2017. The purpose of the scheme is to create conducive ecosystem for encouraging entrepreneurship, innovation and growth of Startups in J&K.
2. Industries and Commerce Department has nominated **J&K Entrepreneurship Development Institute (JKEDI)** as the State nodal agency for implementation of State Startup policy/scheme and guidelines in the State. Nodal officer for Startup activities is **Director of JKEDI**.
3. Startup portal **startupjk.com** is available providing following services:
   - Registration and recognition
   - Learning & Development
   - Self-certification
   - Details of Bootcamps, hackathon and other events
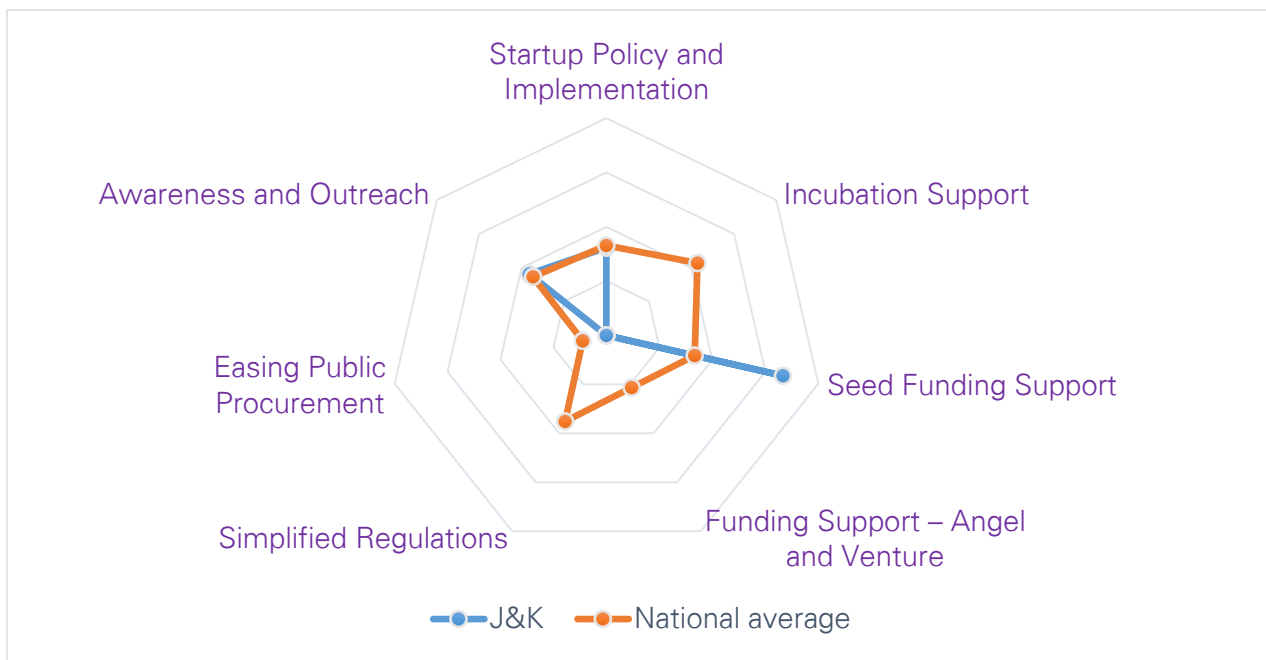   - Details of government schemes

KEY HIGHLIGHTS OF STATE

✓ JKEDI is working towards entrepreneurship development in the State for more than a decade
✓ More than 2000 State Startups have benefited from Seed Capital Fund Scheme

2.   Snapshot of State performance

Following is the spider web graph that details the J&K'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 State in each pillar has been indicated on respective axes. Brief analysis of J&K on above chart is provided below.

State Government has performed exceptionally well in 'Seed funding support' pillar as compared to national average. In 'Startup Policy and Implementation' and 'Awareness and Outreach' pillar, State's performance is at par with its peers as the data points for both State and national average coincide. However, critical analysis will present that the national average in both the pillars is fairly low.

Lastly, State's performance is well below national average in four pillars that are 'Incubation Support', 'Angel and Venture Funding Support', 'Simplified Regulations' and 'Easing Public Procurement'. The State needs to undertake significant efforts in such pillars to improve overall performance in the next round of ranking.

Above performance has contributed to the State's positioning as an 'Emerging State' in the ranking exercise. Detailed analysis of the State performance in each pillar has been provided in following chapters 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 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 scheme

Jammu & Kashmir Government notified its Startup scheme in October 2017. The scheme titled "Setting up of Startup Hub, Incubators, and scheme for assistance to Startups in J&K" provides guidelines for setting up of Incubators and providing assistance to Startups.
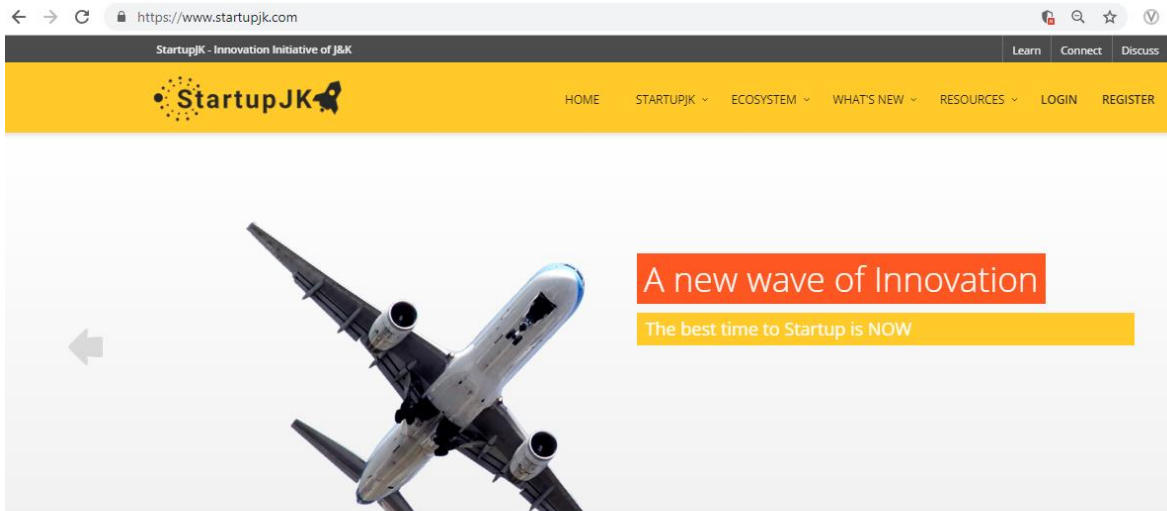
State Government has shortlisted 14 institutions in Jammu province and 15 institutions in Kashmir province for establishing incubation centers. The scheme provides detail of assistance to Incubator as well as to incubate. The assistance to Startup includes INR 10,000 per month as sustenance allowance, INR 5 lakh for product development and INR 10 lakh for marketing activities. The Startup will also be eligible for other benefits available in MSME schemes and State industrial policy.

b) Nodal department, Innovation society and nodal officer

State Government has nominated **J&K Entrepreneurship Development Institute (JKEDI)** as the State nodal department for implementation of State Startup scheme and guidelines in the State. The institute was established in March 1997 and started its activities from 2004. Nodal officer for Startup activities is **Director of JKEDI**.

c) Dedicated Startup portal

State has a dedicated portal for Startup where details related to Startup ecosystem such as JKEDI schemes, Government notifications, learning material, outreach events (boot camps and hackathon), and list of State's entrepreneurs and mentors are available. The portal is accessible at startupjk.com.

Startup portal of Jammu & Kashmir

d) Progress monitoring

State has shared a webpage where progress made on three JKEDI schemes (Seed Capital Fund scheme, Youth Startup Loan scheme, and schemes of NMDFC) are given. The status and achievement of each scheme is updated annually. The status captures cases approved, amount disbursed, and number of beneficiaries covered under each scheme.

Screenshot of performance of JKEDI schemes over the year

e) Mentors

State has shared a list of more than 30 mentors with details such as name, email-id, contact number and area of specification. Startups can directly connect with mentors based on their specialization and expertise.

The aforementioned initiatives make J&K as an Emerging State in Startup ecosystem. It is expected that State continues its journey towards creating sustainable and conducive Startup ecosystem in the State for Startups

Way forward

- **Women entrepreneurship:** State has identified two women colleges for establishing Incubators in them. In addition to it, State may consider following women specific incentives such as:
    1. Enhanced interest subsidy in loans
    2. Enhanced monthly or sustenance allowance
    3. Dedicated seed and venture funds for women entrepreneurs

- **Online system for Startups:** State has developed a well-functioning Startup portal for Startups to get details related to Startup ecosystem. As a step towards improving the current system, State may consider to upload specific application guidelines, eligibility criteria, registration process and approval process for all the incentives. This will ease the application process for Startups as they get required information from a single portal.

- **Information wizard** has been developed to provide eligibility criteria for JKEDI schemes. However, State may improve its system and develop it in to an interactive system that provide list of approvals and clearances based on dynamic input as per user's business (sector, industry, stage) for setting up, operating and exiting a business in the State.

- **Develop a query resolution system:** State has shared a URL where Startups can submit their grievances. On submitting grievance, a reference number is generated, through which user can track status of his or her application. Contact detail of a person is also provided on the portal for checking the updates. State may improve its system by addressing the grievances of Startups in timely manner. In addition, State may capture the satisfaction of Startups through mail or phone.

- **Mentor network**: State has shared a list of mentors who are registered on the State Startup portal. Going forward, State may like to add more mentors who specialize in various domains so that State Startups get feedback and inputs from various experts.

- **Intellectual Property Facilitation Center (IPFC)**: State has shared details of Intellectual Property Management center at Shri Mata Vaishno Devi (SMVD) University. In order to facilitate Startups and provide all the required information at one place, State may consider linking the Intellectual Property portal of SMVD University with State Startup portal.

- **Partnership with corporates and 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 State based Startups. Partner(s) may provide assistance such as professional services, mentorship, Corporate Social Responsibility (CSR) funds for Incubators and/ or co-working spaces, software and hardware tools and other lab equipment, knowledge exchange, technology transfer and market linkages.

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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.

Way forward

- **Setting up Incubators**

State has identified 29 institutes in the State for setting up Incubators. State has also shared the advertisement inviting application to offer incubation service. State can extend support by providing financial grant for capital expenditure and operational expenditure for covering the initial cost. It is expected that such kind of support will assist in setting up of more Incubators in the State.

Additionally, corporates in the region may be encouraged to setup Incubators in a PPP mode with support from State Government. This will help the State in setting up sector specific Incubators.

- **Subsidized incubation to Startups**

State can make provision for providing incubation at a subsidised cost to Startups in Incubators. Subsidized incubation means providing subsidy to Incubators for certain number of seats and for certain duration or providing free of cost seat to Startups.

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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 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

a) Seed funding to Startups
State has supported more than 2000 startups and entrepreneurs between January 2016 and April 2018 through Seed Capital Fund Scheme. Under this scheme, seed money of up to INR 7.5 lakh as a onetime grant is provided to eligible entrepreneur.

Way forward

- **Guideline and online system for seed funding**
State has shared guidelines for Seed Capital fund scheme highlighting process and extent of Seed funding. State may design an online system for disbursing seed funding to 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 are highlighted in the national report for reference of all States.

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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. 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

- **Angel funding**

State may undertake steps to promote angel funding by consulting and partnering with existing angel networks in the country. As a first step, State may identify few leading angel investors and HNIs from the local region to discuss the benefits of angel investing. State may facilitate such discussion through workshops or networking events.

Additionally, State 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**

State may explore the opportunity of creating a venture fund or Fund of funds with an appropriate corpus for funding State based Startups. In this regard, State needs to prepare clear operational guidelines for the fund and hire fund manager for managing the funds.

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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

Way forward

- **Self-certification or third party certification for Startups**

The labour department in the State may create provision for self-certification or third party certification for Startups under all applicable labour laws in the State. 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 where technical regulations need to be complied with such as Boiler Act, Factories Act, (Lift Act) 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.

- **Support to Startups working in new or disruptive areas and technologies**

State may introduce a mechanism to actively identify Startups (working in newer or disruptive areas and 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.

- **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 and feedback and hold stakeholder consultations

2. Policies or regulations should be made considering long term impact of the technology and 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 State 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

- **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.

- **Grievance Redressal Mechanism for Startups on public procurement issues**

In addition to above relaxations and preferences, State Government may develop an online or offline mechanism in the nodal Department for resolving the procurement related 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) **Organizing bootcamps**

Government of J&K conducted a mega awareness programme in March 2018 at GGHSS Kothibagh, where more than 250 students participated.

b) Facilitating entrepreneurship training programs

State Government conducted 22 Entrepreneurship Awareness Programs (EAPs) in 22 degree colleges of Jammu Division in 2017. The curriculum of EAP included Entrepreneurship and Business skill training along with short modules on various business topics.

Way forward

- **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.

- **Set up Entrepreneurship cells in State**

Entrepreneurship cell provides a platform to students to organize seminars, workshops, get-together and other Startup related events at college and university level. The activities helps in fostering innovation and developing managerial skills among students. State Government may target to develop at least one e-cell in college or university in each district in the State.

- **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.

- **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.

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