#startupindia

Maharashtra

EMERGING STATE

State Startup Ranking Exercise 2018

December 2018

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1. Overview of State Startup ecosystem

Government of Maharashtra has steadily begun to take initiatives towards creating Startup ecosystem in the State and therefore has been acknowledged as '**Emerging State**' in the State Startup Ranking 2018 conducted by Department of Industrial Policy and Promotion, Government of India.

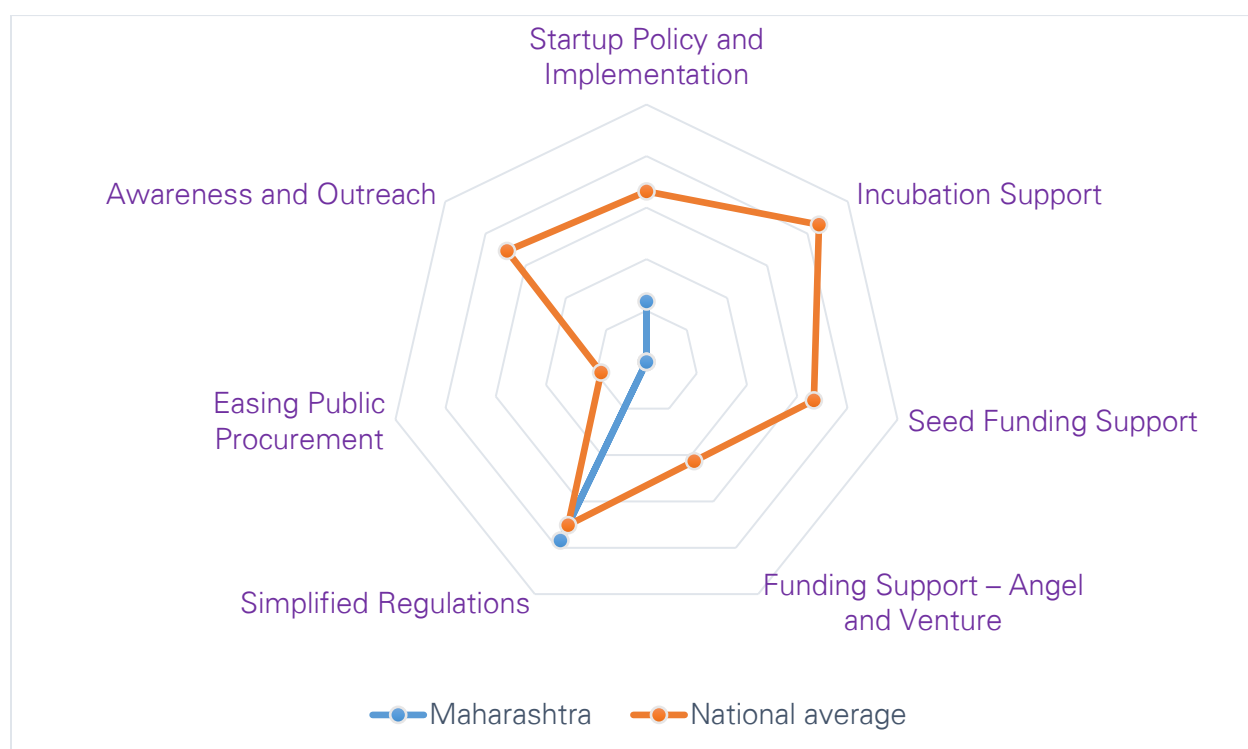Some of the key highlights of its Startup ecosystem are as follows:

1. Government of Maharashtra launched the '**Maharashtra State Innovative Startup Policy**' in February 2018. The notified Startup Policy under Department of Skill Development and Entrepreneurship offers benefits and incentives across various areas of intervention.

2. The policy envisions to transform Maharashtra by catalyzing the growth of an innovation-driven entrepreneurial ecosystem to achieve wholesome and inclusive socio-economic development.

3. Maharashtra State Innovation Society (MSInS) has been established under Department of Skill Development and Entrepreneurship with an aim to foster innovative approaches and solutions to contribute towards minimization of the economic divides in the State.

KEY HIGHLIGHTS OF STATE

✓ Well-rounded Startup policy focusing on all areas of intervention such as human capacity building, infrastructure augmentation & Startup funding
✓ Self-certification provisioned for Startups under 5 Labour Laws
✓ State has been proactively identifying disruptive technologies including drafting a draft EV policy and Fintech policy

2. Snapshot of State performance

Following is the spider web graph that details the Maharashtra'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 Maharashtra on above chart is provided below.

State Government performance is at par with its peers in 'Simplified Regulations' as the data points for both State and national average coincide. However, critical analysis will present that the national average in this pillar is fairly low.

State's performance in remaining pillars is well below the national average. It is expected that State may work on all the pillars to perform better in next year ranking. Detailed analysis of the State performance in each pillar has been provided in following chapters of this report.

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 key objectives of Maharashtra Startup policy include:

- Provide a platform and nurture the entrepreneurial aspirations amongst the citizens of Maharashtra
- Empower Startups to contribute significantly to Maharashtra's economic growth and create employment opportunities for all sections of society
- Develop robust infrastructure and ease the regulatory framework to spur the development of the Startup ecosystem

To ensure holistic support to entrepreneurs and facilitate creation of a robust, self-sustainable ecosystem, the policy has encoded the 'LEAPFROG' tenets – Lighten Regulatory Compliance; E-Connect the Ecosystem; Augment Infrastructure; Partner with Industry; Funding Startups; Realizing Human Potential; Organize Competition & Events; and Governance.

The State Startup policy balances fiscal and non-fiscal incentives for Startups. The incentives include compensation for stamp duty and registration fees, assistance in patent filing and tax holiday among others.

b) Nodal department and nodal agency

Maharashtra State Innovation Society (MSInS) has been appointed as the Nodal Startup and Innovation Team, for overseeing implementation of State Startup initiatives. The Society shall also act as the State Innovation society with the following main objectives:

- To prepare innovation roadmap for the State
- To provide Innovation Promotion Platform to academics, entrepreneurs, researchers and Government drawing upon national and international experiences to foster a culture of innovation in the State
- The platform will promote network of world-class innovation hubs and grand challenges for the State of Maharashtra
- The society would act as an umbrella advisory body to boost innovation driven performance and efficiency in every sector
- To create smart ecosystem to boost and nurture innovation

c) IPR Facilitation

Rajiv Gandhi National Institute of Intellectual Property Management has been established at Nagpur that conducts IP training, awareness, management and research.

Way forward

The State needs to give more importance to this pillar in order to enable a basic Startup ecosystem. State can prioritize actions required under this pillar in three categories: short term, medium term and long term. Action required in each of these categories are summarized below:

Short term activities: Activities in this category are low hanging fruits that can be achieved with minimum efforts. Through dedicated efforts, results can be achieved within 1 to 3 months. Activities suggested under this category are as follows:

- **Incentives for Women entrepreneurs:** State Startup policy should provide benefits and incentives (fiscal and/or non-fiscal) for encouraging women entrepreneurship in the State. 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, nodal officer and dedicated team:** State Government may assign a nodal department and nominate a nodal officer with the responsibility of development of Startup ecosystem in the State. State may consider appointing a nodal officer. The contact details of nodal department and nodal officer shall also be provided on the State Startup portal.

  State Government has appointed Maharashtra State Innovation Society under the Department of Skill Development & Entrepreneurship as the nodal Startup team and State innovation society. The relevant GO has been issued in this regard. Going forward, State may like to upload it on the State 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. State can publish reports on progress made against each policy objective (such as funding, incubation support or any other support provided) in public domain. State 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.

Medium term activities: The activities suggested in this category are important and will take relatively more time for implementation. The role of nodal department, Startup team and innovation society will be important to achieve these objectives. Through dedicated efforts, results can be achieved within 4 to 6 months. Activities suggested under this category are as follows:

- **Online system for Startups:** In order to facilitate Startups and develop the Startup ecosystem in the State, it is imperative that all the relevant information is easily accessible to all Stakeholders. Dedicated Startup portal plays an important role in providing all the required information on a single platform.

  A module may be added in the Startup portal that allows State Startups to get registered and avail applicable benefits under Startup policy. The system shall allow online application submission, status tracking and downloading of registration certificate. The system should also provide application procedure along with functionality of applying for incentives online.

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

Long term activities: The activities suggested in this category will require significant effort and continuous interaction with Startup ecosystem stakeholders. The role of Startup team and innovation society will be key to implement these activities. Through dedicated efforts, results can be achieved within 7 to 12 months. Activities suggested under this category are as follows:

- **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 State. 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. State government must facilitate interaction between mentors and Startups on a regular basis to get their continuous feedback.

- **Intellectual Property Facilitation Center (IPFC)**: State has shared details of Rajiv Gandhi National Institute of Intellectual Property Management center at Nagpur that conducts IP training, awareness, management and research. In order to facilitate Startups and provide all the required information at one place, State may consider linking the Intellectual Property portal with State Startup portal.

- **Partnership with corporates/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, 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

Short term activity

- **Subsidized incubation to Startups**

State shall 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. Considering, the State currently doesn't financially support any Incubator, it may explore the opportunity of partnering with other private Incubators in the proximity and/or in the neighbouring States.

Medium term activity

- **Setting up Incubators**

State in its Startup policy has already emphasized on providing world-class infrastructure by setting up innovation cluster and developing Incubators through collaboration. The State Government needs to enable swift action by identifying location for setting up new Incubators or by identifying educational institutes to setup Incubators in the State. State can extend support by providing financial grant for capital expenditure and/or on operational expenditure for covering the initial cost.

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.

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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

Way forward

Short term activity

- **Seed funding to Startups**

State can 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.

Medium term activity

- **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.

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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

Medium term activity

- **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 has established Maharashtra State Social Venture Fund (MSSVF) as an Alternative Investment Fund (AIF) where SIDBI Venture Capital Limited is the investment manager. In this regard, State needs to issue clear operating guidelines for the fund.

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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

Key Strengths

a) Self-Certification for Startups and Risk-based Determination
Self-certification-cum consolidated annual returns scheme for various shops, Establishment or Factories has been enabled for State-based Startups. The list of Labour Laws covered under the scheme have been mentioned. Risk based differentiation has also been highlighted in the scheme.

Way forward

- **Online platform for self-certification or third party certification**

Self-certification facility of the State has been enabled through Shram Suvidha portal. Going forward, State may come out with its Startup portal that connects Startups to the Shram Suvidha portal. 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 has identified disruptive technologies such as Fintech and E-Vehicles and has drafted policies to support Startups working in these sectors. In addition, State may develop a mechanism to reach out to Startups proactively so as to understand their views. State may connect through workshops, stakeholder meetings or through online platform etc.

- **Policies/ regulations regarding adoption of disruptive technologies/ 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 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.

Way forward

Short term activities

- **Organize bootcamps**

Bootcamps are workshops that are conducted in schools and colleges to foster innovation among students. State Government may organize such bootcamps in schools and colleges on regular intervals. Experts may be invited from Startup ecosystem to conduct these bootcamps.

- **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.

- **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.

Medium term activity

- **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 has organized an outreach event 'Magnetic Startup Award' in February 2018. State Government may organize more 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.

Long term activity

- **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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