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

#startupindia

Punjab

EMERGING STATE

State Startup Ranking Exercise 2018

December 2018

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1. Overview of State Startup Ecosystem

Punjab has performed commendably well in the State Startup ranking exercise 2018. The State launched its Startup policy in 2017 to accelerate the development of Startup ecosystem. These efforts have been well recognized and State of Punjab has being 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 Punjab **launched its Startup policy in 2017**. The vision of the policy is to develop the State as leading global hub of Startups and Innovation to accelerate economic growth and to provide large scale entrepreneurial and job opportunities in the State.

2. Nodal department for Startup is **Department of Industries and Commerce, Government of Punjab** and Nodal officer for Startup is **Director of Industries and Commerce Department**.

3. Startup portal **startup.punjab.gov.in** provides following services:

   - Startup registration
   - Incubator registration
   - Learning and development programs
   - Mentor connect
   - Investor connect
   - Information on various Startup events

4. **Government of Punjab** has appointed a **Startup Cell** at Punjab Infotech to look after activities related to Startups. A total of **6 members** have been appointed to manage the cell

for supporting the development of Startup ecosystem in State. The team composition is as follows:

1. ED, Punjab Infotech
2. Joint Director
3. Deputy General Manager (DGM)
4. Manager
5. EA, Punjab Infotech
6. DGM cum CFO, Punjab Infotech
7. Manager, Punjab Infotech
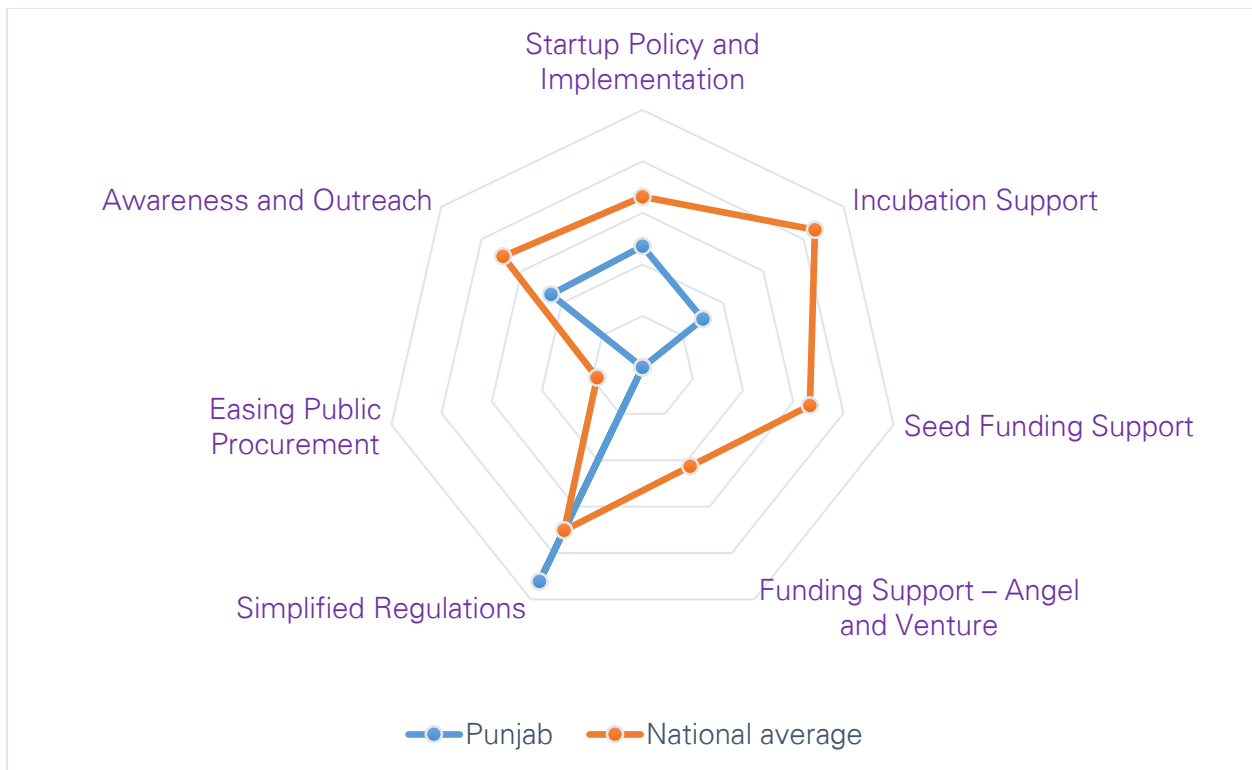
KEY HIGHLIGHTS OF STATE

✓ State supported incubators at STPI Amritsar and STPI Mohali
✓ Organizing Startup outreach events such as TIECON, bootcamps, etc.
✓ Startups allowed to submit self-certification under applicable labour laws

2. Snapshot of State Performance

The spider web graph below details out the Punjab'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 Punjab on above chart is provided below.

State Government has performed relatively well in 1 pillar namely 'Simplified Regulations' as compared to national average.

In 'Startup Policy and Implementation', 'Incubation Support', 'Seed Funding Support', 'Angel and Venture Funding', 'Easing Public Procurement' and 'Awareness and Outreach' pillars, State performance is below par when compared to its peers. State performance has not been up to the national average. The State 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 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 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 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

- **Startup Policy**

Government of Punjab formulated and notified Punjab Startup Policy i.e. Industrial and Business Development Policy, 2017 on 17th October, 2017. The State has laid following objectives as part of the policy:

- To facilitate 1000 Startups in 5 years
- To set up 10 incubation centres or accelerators in the State particularly focusing on Digital manufacturing, Life sciences (Biotechnology), Agro and Food Processing and Information Technology
- To facilitate 50 Entrepreneurship Development Centres in the colleges
- State will launch "Startup Punjab" to build a strong eco-system for nurturing innovation;
- It will accelerate the State's handholding in not only technology sector but also other fields like manufacturing, healthcare, agriculture, tourism etc.
- State will promote setting up of Incubation Centres in Universities and other Academic Institutions

- **Dedicated Startup portal**

The State has developed a Startup portal for State based Startups. The Startups can get information through the Startup portal. The portal is accessible at https://startup.punjab.gov.in/.

The portal provides important information or updates of the activities planned in Punjab Startup ecosystem. Secondly, it also brings together the entire Startup community on a single platform by creating a mentor network, listing investors, Startup outreach events, etc.

Startup portal of Punjab

- **Query resolution**

The State has implemented dedicated Startup support systems with competent staff to resolve queries related to Startups via:

- Website: startup.punjab.gov.in
- Call support: +91-9814792553
- E-mail support: info@pbindustries.gov.in
- Office: Department of Industries & Commerce, Government of Punjab, Udyog Bhawan, Sector 17, Chandigarh 160017

The support systems need to be operationalized to resolve Startup queries.

- **Partnerships**

State has formed strategic alliances with diverse organizations connected with innovation and Startups to foster innovation and Startup growth. Some of the key partnerships include STPI (Mohali), State Department of Industries & Commerce (Government), ISB (academia) and Punjab Technical University (academia) for setting up Startup Punjab Hub.

- **Intellectual Property (IP) support centers:**

Government of Punjab has also notified a Patent Information Center (PIC) at Punjab State Council for Science & Technology (PSCST). Punjab State Council for Science & Technology (PSCST) has been rendering various services to industry and academia of Punjab and Chandigarh for Intellectual Property Rights (IPRs) promotion and protection though the Patent Information Centre (PIC). The following services are being provided by TISC to innovators and Startups of region:

1. Facilitating access to International standard IP facilities to the innovators
2. Filing of Patents, Designs, Trademarks and Copyrights
3. Training and Capacity building and IP Technology Scan Reports
4. Information on global patent industrial inventions and Government initiatives for IPRs
5. Case studies or best practices of other countries
6. Experience sharing platform, IP commercialization, technology transfer and licensing

Way Forward

- **Women entrepreneurship:** A progressive State like Punjab may consider including specific incentives in the Startup policy for encouraging women led Startups. Some of the women specific incentives could be in the form of:
  1. Dedicated percentage of seats in incubation centers
  2. Enhanced monthly or sustenance allowance
  3. Dedicated seed and venture funds for women entrepreneurs. Government of Punjab already envisages to provide 25% of Startup Fund (INR 100 crore) to promote Startups by SC and Women entrepreneurs. However, the initiative needs to be accelerated to provide incentives to Startups.

- **Online system for Startups:** State has developed an online Startup portal for Startups to register and avail benefits or incentives. As a step towards improving the current system, State may consider to upload specific guidelines for registration, facilities like status tracking and online approvals for all the incentives. This will ease the application process for Startups as they get required access from a single portal.

- **Information wizard**: State may setup an online information wizard for entrepreneurs or 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 or 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.

- **Track and publish progress monitoring:** Nodal department may 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.

- **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.

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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. 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

- **Setting up incubator**

Government of Punjab has supported physical infrastructure for creative enterprises by setting up incubators at STPI Amritsar and STPI Mohali. This initiative is in line with the State Government's vision of setting up a network of incubators in the State. The State under its Startup policy has also provisioned to promote setting up of Incubation Centres in Universities and other Academic Institutions.

Way Forward

- **Incubators:** As per DIPP Startup recognition database, there are more than 100 Startups based in Punjab. The number is certainly going to increase in coming years with growing support from State Government. With this background, the State may like to speed up the setting up of incubators initiative.

  State may explore the opportunity of setting up incubators in top academic institutes and Government offices. Corporates may be encouraged to setup incubators in a PPP mode with support from State Government.

- **Subsidized incubation:** 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 supported incubators are yet to be operational, State may explore the opportunity of partnering with other private incubators in the region for extending support.

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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. States are expected 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

- **Guidelines for seed funding**

The Industrial and Business Development Policy 2017 highlights seed funding provision for Startups. A Seed Grant of up to INR 3 Lakh per Startup shall be provided for validation of idea, prototype development, and assistance towards travelling costs and carrying out field or market research or skill training or marketing and initial activities to setup a Startup etc. Seed funding to Startups would be routed through Incubators recognized by State or Central Government. The State Government is also in the process of finalizing guidelines.

Way Forward

- **Guidelines and online system for seed funding:** State shall design clear seed funding guidelines for providing seed grant and ensure an online system for disbursing seed funds 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 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. 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 has already approached Chandigarh Angel Network and TAN Advisors requesting partnership to promote angel funding to Startups in State. State may also 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.

  Further, 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 is already in the process 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 operating guidelines for the fund and hire fund manager for managing the fund operations.

  The State Government has rightly identified the need of such an intervention and it may consider operationalizing the fund early for the benefits of Startups. Alternatively, State may also consider participating in other operational venture funds (public or private) working to promote Startups.

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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 State 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

Key Strengths

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

Labour Commissioner, Government of Punjab has notified the provision of self-certification for Startups under applicable labour laws. The State has also provided proforma for filing self-declaration of compliance with labour laws. The proforma mentions 4 labour laws applicable to Startups. Further, State has also integrated its labour portal with Government of India Shram Suvidha Portal at https://shramsuvidha.gov.in/stateIntegration

Way Forward

- **Support to disruptive Startups:** Various new Startups are working in newer or disruptive areas or technologies such as e-Pharmacy, electric vehicles, cab aggregators, etc. These Startups face challenges of lack of proper regulations, ambiguity in interpretation of regulations or archaic rules and guidelines which are not designed considering the needs of current enterprises. State may identify few priority sectors or technologies for identification of issues faced in business operations by conducting conferences, meetings, round table discussions, etc. Relevant stakeholders and Startups may share their issues or suggestions

to improve the regulatory landscape for ease of doing business in the State. Also, State may proactively present such at various platforms to encourage more disruptive Startups.

- **Policies or regulations regarding adoption of disruptive technologies:** In order to encourage and support Startups working in newer or disruptive areas or technologies, Government may detail process of drafting policies or regulations through:
  1. Measuring impact: Long term economic and social impact
  2. Hosting pre-draft stakeholder consultation through online and offline medium
  3. Publication of draft policy or regulation in public domain
  4. Inviting stakeholder or public comment on draft policy or regulation
  5. Publication of final policy or regulation

  Using the above approach, Startups will be encouraged to bring out regulatory issues facing their business operations which can be taken up by State Government for resolution.

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3.6   Easing Public Procurement

State 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 States 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. State Government may consider amending the rules and orders governing procurement for all the State 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

  3. There shall be no requirement of submission of EMD for Startups as defined by the State Government

- **Preference to Startups in State procurement:** State Government may include relevant provision in order to support Startups by providing adequate preference in public procurement of goods and 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 State 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

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

Key Strengths

- **Startup outreach event**

The State has exhibited keen interest in organizing large outreach events for Startups in the State. A successful example of the one such initiative is TIECON Chandigarh 2018 where Government of Punjab was co-sponsor. Startup Yatras were conducted at 4 locations: Jalandhar, Ludhiana, Chandigarh and Patiala, each with more than 100 participants as part of the Road to TIECON initiative. Key highlights of the event are:

1. Key note and panel discussion with eminent leaders from Startup ecosystem
2. Workshop with business and technology experts
3. Startup Bazaar for Healthcare, Services, Home Decor, Nutrition, Technology, etc.
4. Sponsors exhibited their products or services and attracted a huge customer base
5. Pitch night was a mega success with INR 3.60 crores in fund raising
6. Mentoring from industry leaders and experts about financial and legal processes

- **Organizing bootcamps**

Bootcamps are workshops that are conducted in schools and colleges to foster innovation among students. Government of Punjab organized a bootcamp organized on 12th April 2018 at Desh Bhagat University, Mandi Gobindgarh. More than 150 students participated.

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 is encouraged to organize more such Startup events at a regular interval.

The State 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.

- **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 program 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 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:** State 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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