



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

#startupindia

RAJASTHAN

TOP PERFORMER

State Startup Ranking Exercise 2018

December 2018

Table of Contents

1. Overview of State Startup ecosystem.....	1
2. Snapshot of State performance	3
3. Pillar wise assessment	5
3.1. Startup Policy and Implementation.....	5
3.2. Incubation Support	8
3.3. Seed Funding Support	9
3.4. Funding Support – Angel and Venture funding.....	10
3.5. Simplified Regulations	11
3.6. Easing Public Procurement.....	13
3.7. Awareness and Outreach.....	14

1. Overview of State Startup ecosystem

Rajasthan has performed exceptionally well in the State Startup ranking exercise 2018. The State has taken some important initiatives especially in Startup policy implementation, seed funding and angel/venture funding. These efforts have been well recognized and State has been acknowledged as '**Top Performer**' 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 Rajasthan notified its Startup policy in **October, 2015. The key features of the policy are as follows:**
 - INR 10,000 per month for Startup as sustenance allowance for one year
 - Marketing assistance of maximum INR 10 lakh to be provided to Startups to launch their products in the market
 - 5% grace marks and 20% attendance every semester to students who apply to Incubator for incubation support
 - Option to convert the innovative project incubated at Incubator as a final year project towards degree completion
 - Government colleges and institutes will be provided one time grant for capital items up to a maximum of INR 50 lakh to conduct entrepreneurship development and Startup support program
 - A matching grant of INR 10 lakh would be given to institutions like angel investors, Incubators etc. to operate Accelerator programs in State
2. Nodal department for implementation of Startup policy is **Department of Information Technology and Communication (DoIT&C)** and nodal officer for development of Startup ecosystem in the State is **Commissioner & Principal Secretary, DoIT&C.**
3. Startup portal is **istart.rajasthan.gov.in**
4. **State Startup cell** comprises:
 - S.A. (Joint Director), DoIT&C



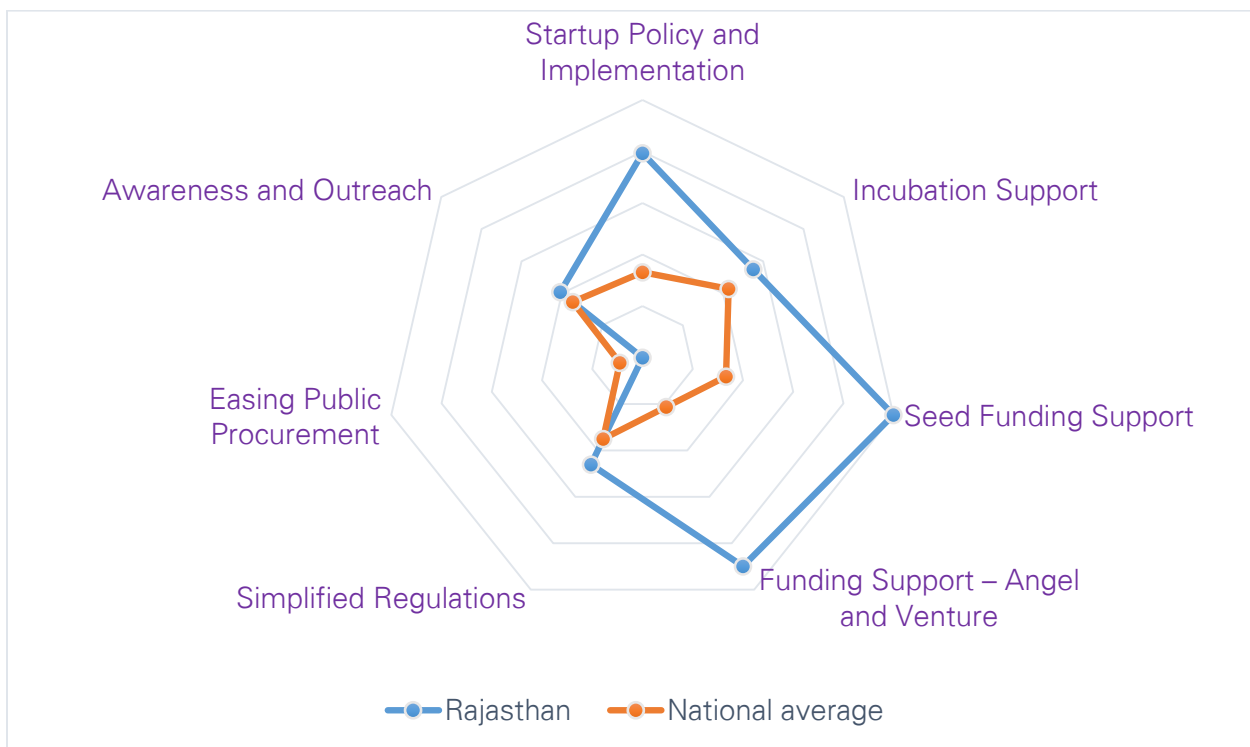
- MD, Rajasthan Knowledge Corporation Ltd.
- Project Officer, DoIT&C

KEY HIGHLIGHTS OF STATE'S INITIATIVES

- ✓ State launched INR 500 cr. Bhamashah Techno fund for Startups. INR 100 cr. from this fund has been earmarked for women entrepreneurs
- ✓ It is one of the few States that has a comprehensive online information wizard, providing details of all the approvals at one platform
- ✓ State Government supports, manages and run iStartNest Incubators at Jaipur, Kota and Udaipur
- ✓ Provision of self-certification and third party registration is available to Startups
- ✓ Four Hackathons have been conducted by State Government between January 2016 and April 2018

2. Snapshot of State performance

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

State Government has performed exceptionally well in pillars such as 'Startup Policy & Implementation', 'Seed Funding Support' and 'Funding Support – Angel & Venture' as compared to national average.

In 'Incubation Support', 'Simplified Regulations' and 'Awareness and Outreach' pillars, State's performance is better than national average. However, critical analysis will present that the national average in these pillars is fairly low.

Lastly, State's performance is well below national average in 'Easing Public Procurement' pillar. The State needs to undertake significant efforts in it to improve overall performance in the next round of ranking.

Above performance has contributed to the State's positioning as a 'Top Performer' in the ranking exercise. 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) State Startup policy

State Startup policy is a comprehensive policy providing dedicated support and incentive to Startup ecosystem players. The policy covers fiscal and non-fiscal benefits to Startups including support to Students in academics for taking up entrepreneurship or Startup at college. The policy mentions the eligibility and procedure to apply for incentives and a dedicated committee to oversee the implementation of the policy.

b) Women entrepreneurship

One of the objective of the Startup policy is to create angel/venture capital of INR 500 crore. In order to support entrepreneurs of the State, Government launched Bhamashah Techno fund (BTF). Out of INR 500 crore fund, INR 100 crore has been earmarked for women entrepreneurs.

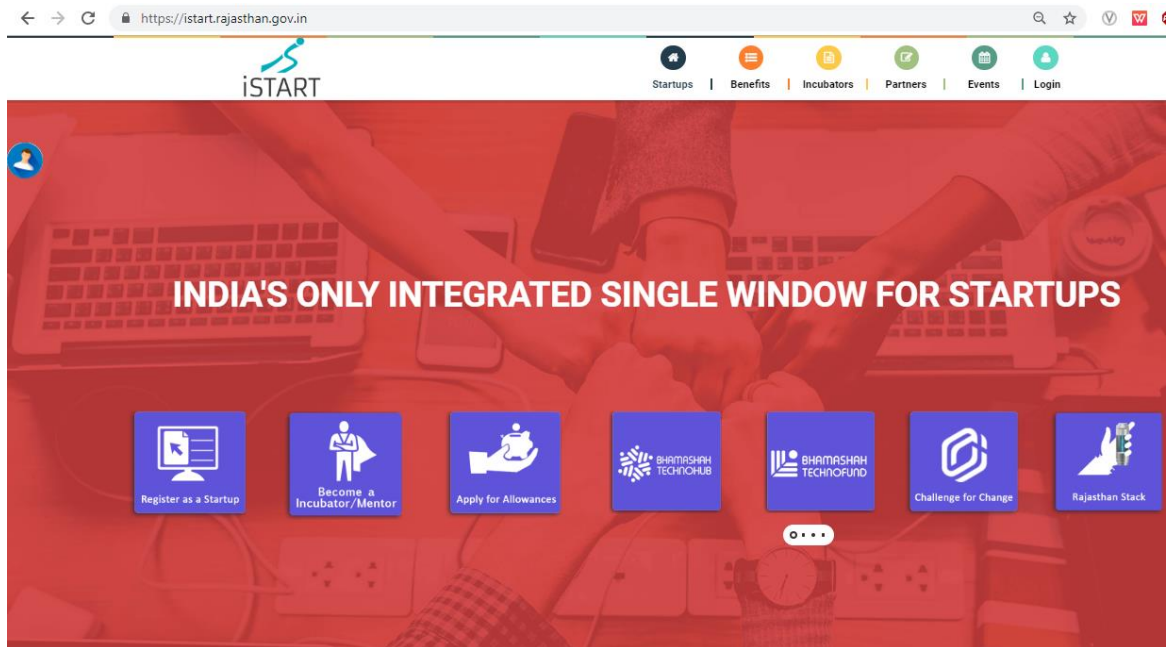
c) Innovation society

State Government constituted a Startup council on 18th April 2016 for strengthening the Startup ecosystem in the State.

d) Startup portal

A dedicated Startup portal is in place with defined processes for registration and availing benefits and incentives under State Startup policy. Other details related to Startup ecosystem such as fiscal and non-fiscal incentives to Startups, users benefit manual, Government clearance wizard,

self-certification, Incubators, partners and event are available at single portal. The portal is accessible at istart.rajasthan.gov.in.



Snapshot of State Startup portal

e) Online Information Wizard

The State is one among the few States to have set up a comprehensive online information wizard, which can be accessed from the 'iStart Wizard' under 'Benefits' tab on the State Startup portal homepage. It covers all compliances required to be adhered to during setup, operation and exit of a Startup.

f) Progress monitoring

State has been publishing progress report from August 2017 onwards covering the objectives of the policy and initiatives taken by Government in Startup domain.

g) Query resolution

Dedicated Startup support system available for Startups in Rajasthan are online chat, online message box and physical center, where Startups can raise their queries. An online form is available at Startup portal to provide user's satisfaction score.

h) Mentor network

State has created a robust mentor network comprising of **experts from industry, academia and Startup ecosystem**. Startups can view the LinkedIn profile of each mentor and connect with them. The Startup portal has a list of more than 100 mentors available.

i) Partnership with corporates and educational institutes

State has formed partnership with various corporates and institutes such as AWS, Axis Bank, OYO, TiE, Lets Venture and many more. The complete list and details of services of each partner is available on the Start portal.

Way forward

- **Women entrepreneurship:** State provides additional incentives to women entrepreneurs such as 20% on Capital Investment subsidy, 100% waiver of electricity duty and others additional incentives. In addition, 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



3.2. Incubation Support

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

Key Strengths

a) State supported Incubators

Government of Rajasthan created Incubators in the State to support budding Startups. Three Incubators are State managed whereas another Incubator is established in academic institute (Banasthali Vidyapeeth). The list of State supported Incubators between January 2016 and April 2018 are as follows:

- Incubator at Banasthali Vidyapeeth
- iStart Nest Incubator at Jaipur
- iStart Nest Incubator at Kota
- iStart Nest Incubator at Udaipur

iStart Nest Incubators at three locations are supported, managed and run by State Government.

b) Startups supported in such Incubators

37 Startups have been provided subsidized incubation support in State supported Incubators between January 2016 and April 2018.

Way forward

• Setting up Incubators

State may explore the opportunity of setting up Incubators in top academic institutes. Corporates may be encouraged to setup Incubators in a PPP mode with support from State Government. This will also help the State in setting up more Incubators.

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) Provision for seed funding

State Government provides seed funding under the 'Assistance for Startup at Idea/prototype stage' scheme of Startup policy of Rajasthan. Under this scheme, INR 10,000 is given to a Startup as a sustenance allowance. State has provided an online system to avail this benefit. Startups can apply and track the status online.

b) Startups supported

50 Startups have been provided Government supported seed funding in the State between January 2016 and April 2018.

Way forward

State has performed well in the pillar of seed funding support. Additionally, State may consider alternative model for seed fund provision such as loan interest subsidy and reimbursement of lease rental.



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.

Key Strengths

a) Promote angel funding

State provides marketing assistance of up to INR 10 lacs to Startups, provided they secure 25% funding from known and registered angel/venture funds/reputed Incubator. So, State Government incentivizes angel investment with matching fund. The Startup policy covers this provision of incentivizing angel investments.

b) Venture capital funds

Venture capital funds by the name Bhamashah Techno Fund (BTF) and Rajasthan Venture Capital Fund (RVCF) have been established to assist startups. BTF is a Fund of funds, in which Principal Secretary of DoIT&C sanctions the amount and IT department disburses.

State Government has provided funding to 36 Startups through above mentioned funds between January 2016 and April 2018.

Way forward

While State performance is good in this pillar, it may refer to some of the practices of other States to improve in these pillars such as offering a success fee at a fixed rate to Startups for mobilizing investments from State based angel investors.

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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

Labour department of the State issued a notification for self-certification and third party certification for Startups. As per the notification, self-certification is determined on the basis of risk.

b) Online portal for self-certification

State has linked State Startup portal with Labour department portal (**labour.rajasthan.gov.in**) for Startups to self-certify under specified regulations online. In addition, State has provided user manual for applying self-certificate under various labour laws.

Way forward

• 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 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

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 has launched an initiative ‘Challenge for Change’ where Startups are given an opportunity to present their innovative ideas to problems of various Government departments. State Government may consider to provide additional benefit to Startups by removing criteria such as ‘prior experience/ turnover’ and ‘submission of EMD’ 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 may 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

State Government organized five boot camps from January 2016 to April 2018 at various schools and colleges across State. The details of boot camps are as follows:

- Boot camp at Pacific University on 15th March 2018
- Boot camp at Pacific University on 11th April 2018
- Boot camp at Manipal University on 5th March 2018
- Boot camp at Banasthali Vidyapeeth on 7th March 2018
- Boot camp at Jaipur Engineering College on 9th March 2018

b) Organizing Hackathon

State Government organized four hackathons from January 2016 to April 2018 across the State. The details of four hackathons are as follows:

- Rajasthan Hackathon 1.0 on 20-21 March 2017 at Jaipur
- Rajasthan Hackathon 2.0 on 17-18 August 2017 at Kota
- Rajasthan Hackathon 3.0 on 2-3 December 2017 at Udaipur
- Rajasthan Hackathon 4.0 on 19-21 March 2018 at Jaipur

c) Startups supported in National/International events

In order to facilitate participation of key Startups in National/International events, State Government provided support in form of free stall space, partial reimbursement of participation fees and/or travel reimbursement. The Government supported Startups in following events:

- TiE Global Summit 2018
- Jaipur Literature Festival 2018
- PayTM Build for India
- Hackathon 3.0

Way forward

• Conduct Startup outreach event

Startup fests or events are dedicated events to provide a platform to Startups for showcasing their ideas or products and services to the ecosystem components. Startups also get an opportunity to connect with other ecosystem components. State Government may organize such

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

- **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.

- **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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