



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

#startupindia

Sikkim

Beginner

State Startup Ranking Exercise 2018

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1. Overview of State Startup ecosystem

Government of Sikkim has steadily begun to take initiatives towards creating Startup ecosystem in the State.

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

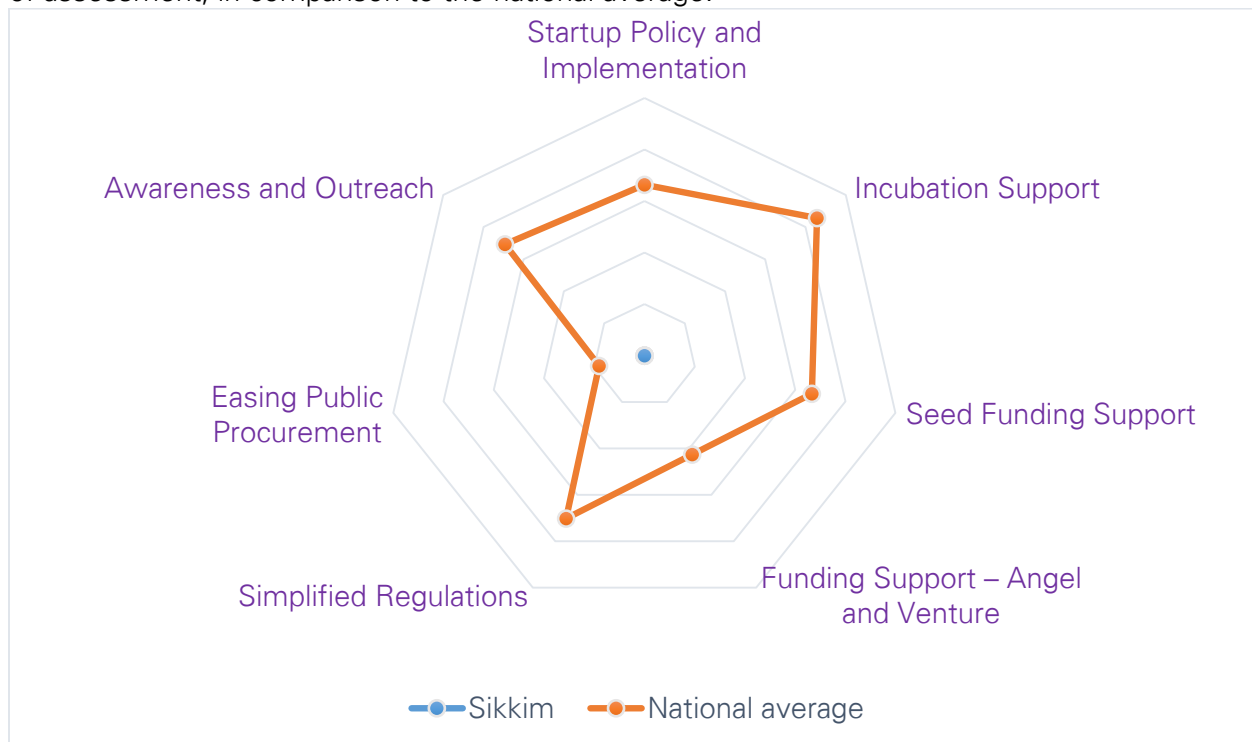
1. The State's vision is to boost entrepreneurial spirit amongst the local unemployed youth and enthuse them for setting up Startups
2. The **Chief Minister's Startup Scheme (CMSS)**, a credit linked promoter's contribution financial assistance scheme has been introduced.

KEY HIGHLIGHTS OF THE STATE'S INITIATIVES

- ✓ The Chief Minister's Startup Scheme 2017 aims to provide for promoter's financial contribution assistance component of 25% (35% in case of conditional non-manufacturing sector projects) of the projects cost in for the ventures entailing total investment up to INR 20 lakhs
- ✓ Chief Minister's Startup Scheme Committee (CMSSC) headed by the Special Secretary/ Director has been set up for the implementation of the scheme

2. Snapshot of State performance

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



The State's performance is below the national average in all the seven pillars. Although State has taken some positive initiatives such as coming out with Startup scheme.

The suggestions for improving the Startup ecosystem in the State are provided in the next section.

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**

The Department of Commerce & Industries of the State has notified the Chief Minister's Startup Scheme in 2017 with an aim to provide an impetus to the local unemployed youth including school dropouts to develop new entrepreneurial ventures and self-employment opportunities in rural and urban areas of the State. A committee headed by the Special Secretary/Director, Industries has also been set up for the administering of the benefits under the scheme.

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:

- **Startup Policy**

The State may choose to create a comprehensive Startup policy for the State which may include a wider range of benefits and fiscal and non-fiscal incentives for Startups across multiple sectors and incubators.

- **Incentives for Women entrepreneurs**

State Startup scheme should provide benefits and incentives (fiscal and/or non-fiscal) for encouraging women entrepreneurship in the State. Since, the State has already drafted the Startup scheme, it can amend this to inculcate some of these incentives. Some of the good practices adopted by other States to encourage women entrepreneurs are highlighted in the national report for reference of all States.

- **Assign nodal department and nodal officer**

An office order appointing Deputy Secretary, Department of Commerce & Industries as the nodal officer for single point of communication between the Government of India and State of Sikkim for the Startup India Action Plan has been notified. However, it is unclear whether the appointed nodal officer shall also preside over the startup ecosystem development in the State. The State may consider appointing a nodal officer not below the rank of Secretary to the State Government for the development of the startup ecosystem in the State. The contact details of nodal department and nodal officer shall also be provided on the Startup portal, which the State may choose to develop.

- **Track and publish progress monitoring**

Nodal department must develop a mechanism for monitoring the progress of implementation of Startup scheme 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:

- **Appoint dedicated team and establish an innovation society**

A dedicated team or agency within the Nodal Department for supporting the development of the Startup ecosystem in the State may be established.

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

- **Create online system for Startups for registration and availing benefits**

The State may develop a one stop Startup portal for the State for registration and recognition, and availing of benefits under the State Startup Scheme. Similarly, online system must provide functionality of online application, status tracking and approvals for registration and availing incentives and the system should allow applicants to track the status of their application and download the registration certificate, once approved. Some of the good practices adopted by other States for registering Startups and disbursing incentives are highlighted in the national report for reference of all States.

- **Availability of information wizard**

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/ clearances (sector-wise) required by entrepreneurs to set up, operate and exit a business in the State. 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.

- **Set up Intellectual property support centers**

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

1. Patent Services
2. Technology Transfer to Start-ups and MSMEs in State
3. Trademark & Copyright Filing
4. Providing Technological information services to the Entrepreneurs
5. Providing Patent Search reports to inventors and Start-ups

6. Conducting IPR, Innovation and Academia-Industry Meet workshops

The details of IP support centres along with contact details (along with name of contact person) shall be made available on the 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, 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**

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 illustrated in the national report may be used for reference.



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

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.

Long term activity

- **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 operating guidelines for the fund and hire fund manager for managing the fund operations.

The first dedicated venture capital fund for the North Eastern Region Namely “North East Venture Fund (NEVF)” launched by Government of India is another route to channelize investments in Startups. The State may consider partnering with NEVF to facilitate funding to Startups through venture fund(s) or fund of funds.



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

Short term activities

- **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 where there is no technical regulations which need to be complied with, such as compliance with Minimum Wages, Bonus, and Gratuity etc. Third party certification should also be provided for where technical regulations need to be complied with such as Boiler Act, Factories Act, (Lift Act) etc.

- **Support to Startups working in new or disruptive areas 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.

Medium term activities

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

In addition to including provision for Self-certification, an online system to submit self-certification or third party certification may also be developed. The system shall provide information on application process and functionality of filing certification in respect of all applicable labour laws.

- **Policies or regulations regarding adoption of disruptive technologies 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 feedback and hold stakeholder consultations
2. Policies/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



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

Short term activities

- **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 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.

Additionally, 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 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.

Long term activities

- **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.



