



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

#startupindia

Uttarakhand

EMERGING STATE

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.....	9
3.3 Seed Funding Support	10
3.4 Angel and Venture Funding.....	11
3.5 Simplified Regulations	12
3.6 Easing Public Procurement	14
3.7 Awareness and Outreach.....	16

1. Overview of State Startup Ecosystem

Uttarakhand has performed commendably well in the State Startup ranking exercise 2018. The State launched its Startup policy in 2018 to accelerate the development of Startup ecosystem. These efforts have been well recognized and State of Uttarakhand 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 Uttarakhand **launched its Startup policy in February 2018**. The vision of the policy is to foster an ecosystem for nurturing the spirit of entrepreneurship in Uttarakhand, thereby positioning the State as the most Startup friendly State in India.
2. Nodal department for Startup is **Department of Industries, Government of Uttarakhand** and Nodal officer for Startup is **Commissioner of Director of Industries**.
3. Startup portal startuputtarakhand.com provides following services:
 - Startup registration
 - Incubator registration
 - Learning and development programs
 - Mentor registration
 - Angel investor registration
 - Information on various Startup events in the State
4. **Government of Uttarakhand** has appointed a **Startup Cell** to ensure monitoring, documentation and implementation of Startup initiatives. Apart from the Startup cell, a Startup council and Startup task force has also been constituted. A total of **4 members** have



been appointed to manage the cell for supporting the development of Startup ecosystem in State. The team composition is as follows:

1. Director, Department of MSME
2. Deputy Director, Department of MSME
3. Two Startup consultants

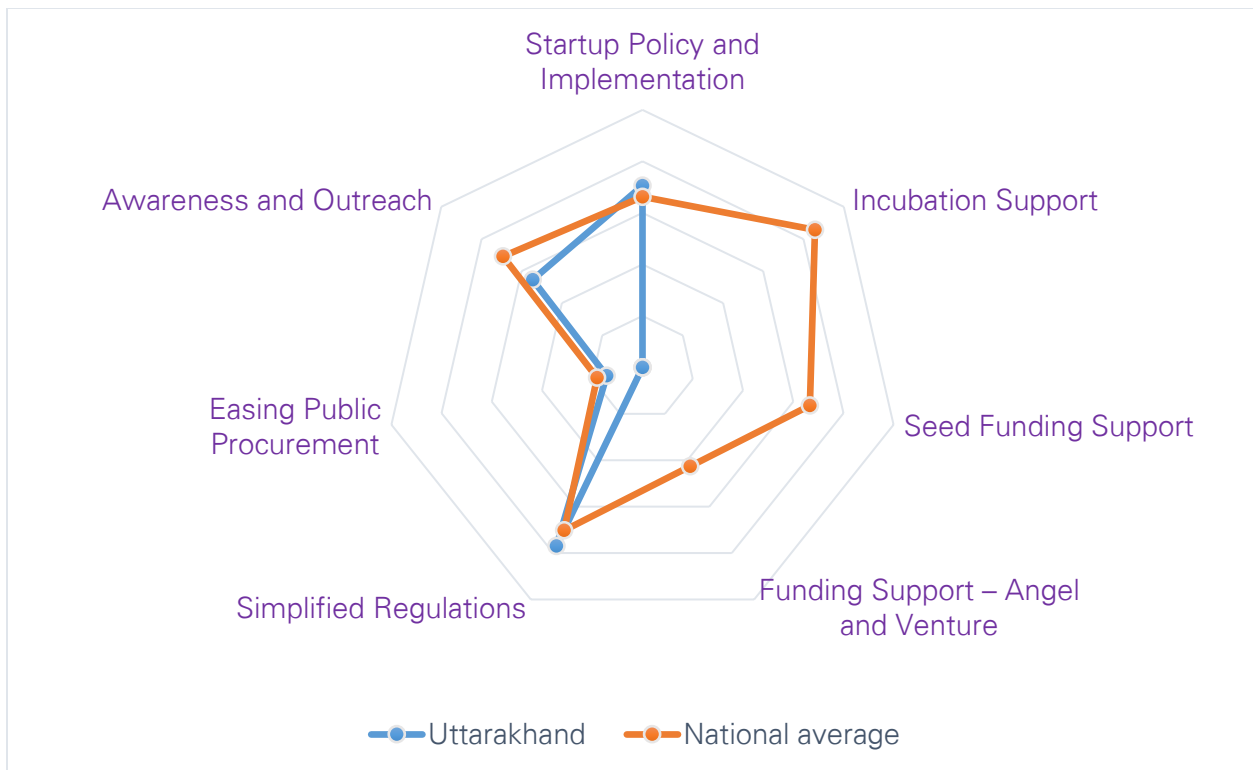
KEY HIGHLIGHTS OF THE STATE

- ✓ Mentor network of more than 50 mentors
- ✓ Organizing Startup outreach events such as bootcamps, hackathons, etc.
- ✓ Startups allowed to submit self-certification under applicable labour laws



2. Snapshot of State Performance

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

State Government has performed relatively well in 2 pillars namely 'Startup Policy and Implementation' and 'Simplified Regulations' as compared to national average.

In '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.



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**

State Government notified Uttarakhand Startup Policy 2018 on 22nd February, 2018. The State has laid following objectives as part of the policy:

- Facilitate and nurture the growth of at least 500 new Startups in Uttarakhand
- Facilitate access to investment for aspiring and existing entrepreneurs
- Create a spirit of entrepreneurship by changing the present trend of job seeking to job creating

The State defines 'Startup' which is in line with the definition prescribed by Department of Industrial Policy and Promotion (DIPP), Government of India.

- **Innovation Society**

State has nominated Uttarakhand State Council for Science and Technology is an autonomous body of the Government of Uttarakhand, Department of Science & Technology. It is a society registered under the Registration of Societies Act, 1860, working to foster a culture of innovation and entrepreneurship in the State.

- **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 <http://www.startuputtarakhand.com/>.

The portal provides important information or updates of the activities planned in Uttarakhand 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 Uttarakhand

- **Query resolution**

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

- Website: <http://startuputtarakhand.com/startup-uttarakhand/home>
- Call support: 1800-270-1213
- E-mail support: mpr@doiuk.org
- Office: Industrial Area Patel Nagar, Dehradun, Uttarakhand 248001

- **Mentor network**

In order to provide access to business experts and successful entrepreneurs, the State has created a mentor network with diverse individuals. These mentors provide business and technical mentorship to Startups or entrepreneurs. Currently, the State has over 50 registered mentors from various domains including corporate, academia, Startups, investors, etc. The mentor list provides details about mentor's company, industry, email contacts and business profile.

- **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 Confederation of Indian Industries (CII), Graphic Era University, Invest India, University of Petroleum & Energy Studies (UPES), PHD Startup Cell and Indian Institute of Technology, Roorkee.

Way forward

- **Women entrepreneurship:** A progressive State like Uttarakhand 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.

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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.

Way forward

- **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 or in the neighbouring States.
- **Setting up incubators:** State in its Startup policy 2016 has already emphasized regarding creation of Network of Entrepreneurship Development Centers (NEDC) within higher education institutes and business incubators across Manipur. 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 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.



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

Way forward

- **Guideline and online system for seed funding:** State Government has the provision of allocating monthly allowance of INR 15000 to Startups. Going forward, State may 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.



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 angel network and investors during the flag-off event of Startup Uttarakhand Yatra. State may pursue opportunity of partnering with few of the leading angel investors to promote angel funding in Startups from the 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. This will also help the State achieve its objective 7.1 in the Startup policy to setup an angel network.

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 Government may explore the opportunity to create 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 fund shall enable creation of an ecosystem for providing risk capital to young enterprises to undertake research and development in high priority technology areas. 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**

Department of Labour, Government of Uttarakhand has notified the provision of self-certification for Startups under 4 applicable labour laws. Self-certification is provided to Startups under Gratuity, Labour Act, Migrant Workers Act and Building and other Construction workers Act. Further, State has also integrated its labour portal with Government of India Shram Suvidha Portal at <https://shramsuvudha.gov.in/stateIntegration>.

Way forward

In addition to above mentioned strengths of the State in 'Simplified Regulations', the State Government may also consider undertaking following activities to strengthen its regulatory environment further.

- **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.



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.

Key Strengths

- **Grievance Redressal Mechanism**

State Government has assigned a dedicated officer to examine procurement related grievances and ensure disposal in 7 days. Any aggrieved Startup may raise the query on the State’s single window system at <https://investuttarakhand.com/>. The Investor Facilitation Center will facilitate Startups for their procurement issues. The online system has enabled special category of complaints from Startups to ensure dedicated support.

Way forward

In addition to the above mentioned strengths of the State in ‘Easing Public Procurement’, the State Government may also consider undertaking following activities to allow more Startups to participate in public tenders.

- **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

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

- **Organizing bootcamps**

Government of Uttarakhand has outlined various initiatives with regard to organizing bootcamps, idea challenges, and festival of innovation in its Startup Policy 2018. Uttarakhand Government also organized a 'Startup India Uttarakhand Yatra' in the State. The Startup India Yatra van travelled to various cities of Uttarakhand with the following objectives:

1. Spreading awareness about Startup India and Uttarakhand Startup policy
2. Opportunity to pitch an idea and get selected for the acceleration programme

Startup India Yatra - Uttarakhand Edition

Organized under the StartupIndia initiative, Startup India Yatra is the tier 2/3 initiative that will travel to small cities of India to search for entrepreneurial talent and help develop startup ecosystem in the state. The Uttarakhand Edition is travelling to eight cities of Uttarakhand and will conclude at a grand finale to be hosted in Dehradun.

2000+	8
Entrepreneurs to be impacted	Destinations

The day long boot camp in each city will include presentations on Startup India and Uttarakhand Startup policy followed by an extensive ideation workshop. An idea pitching session will be held to select the foremost ideas and Startups for the Grand Finale.



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.



