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

#startupindia

West Bengal

ASPIRING LEADER

State Startup Ranking Exercise 2018

December 2018

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1. Overview of State Startup ecosystem

West Bengal has performed well in the State Startup ranking exercise 2018. The initiatives taken by the State Government in implementing the State's Startup policy and setting up incubators across the State are commendable. These efforts have been well recognized and State has been acknowledged as '**Aspiring Leader**' 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 West Bengal notified its **West Bengal MSME Startup policy** in April 2016. The objective of the policy is to promote and nurture Startups in the State. The main feature of the policy are as follows:
   o Focus on creation of Entrepreneurship Development Centre Network (EDCN) with Universities and other educational institutes across the State
   o Strengthening incubation facilities and mentor network in the State
   o Fiscal incentives to various players of the Startup ecosystem at various stages such as Pre-idea stage, Proof of Concept stage and Pilot stage
2. Nodal department for Startup activities is **Department of Micro, Small and Medium Enterprise & Textile (MSME&T),** and nodal officer for Startup is **Joint Secretary, MSME&T**.
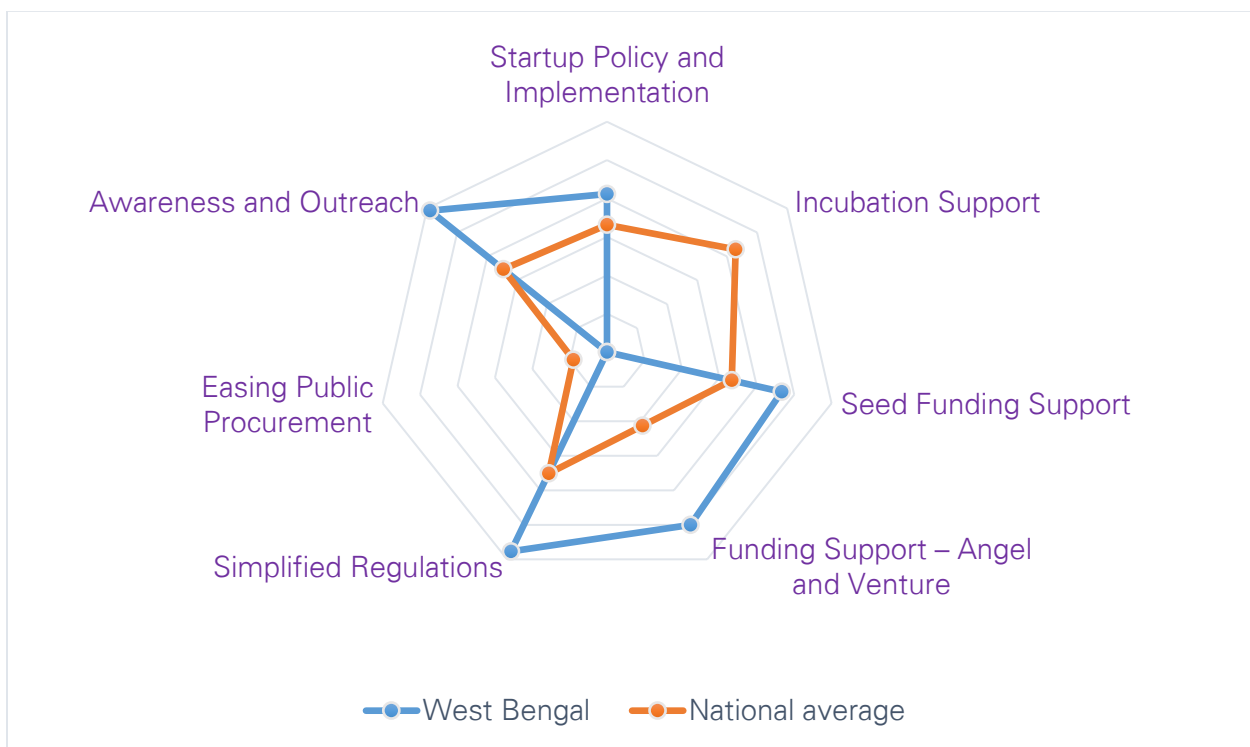3. All the information related to State Startup ecosystem is available on **startupbengal.in**

KEY HIGHLIGHTS OF STATE
✓ Profiles of more than 100 mentors are available on State Startup portal
✓ Provision of self-certification and third party certification is available to Startups
✓ One e-cell has been established in each district of the State

2.   Snapshot of State performance

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

State Government has performed better than national average in pillars such as 'Startup Policy and Implementation', 'Seed Funding Support', 'Funding Support – Angel and Venture', 'Simplified Regulations', and 'Awareness & Outreach'. However, critical analysis presents that the national average in all these pillars is fairly low.

Lastly, State's performance in 'Incubation Support' and 'Easing Public Procurement' pillars are well below national average. The State needs to undertake significant efforts in these pillars to improve overall performance in the next round of ranking. Detailed analysis of the State performance in each pillar has been provided in following chapters 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

a) Startup policy

West Bengal Government launched its Startup policy in March 2016. The objective of the policy is to encourage and promote Startup ecosystem in the State. The State aims to strengthen necessary infrastructure, support learning and awareness, implement supportive regulatory framework and provide multiple platform to access financial support to Startups.

In order to boost entrepreneurship, State Government has proposed various incentives for incubators, Startups and other ecosystem players, such as

- Funding of up to INR 10 lakhs to Universities to create central Entrepreneurship Development Center (EDC)
- Funding assistance to EDC faculty for EDC capacity development programme
- Cost of filling and prosecution of patent application to be reimbursed
- Access to priority equity funding from WB MSME Venture Capital fund, where at least 20% of the fund is earmarked to support Startups
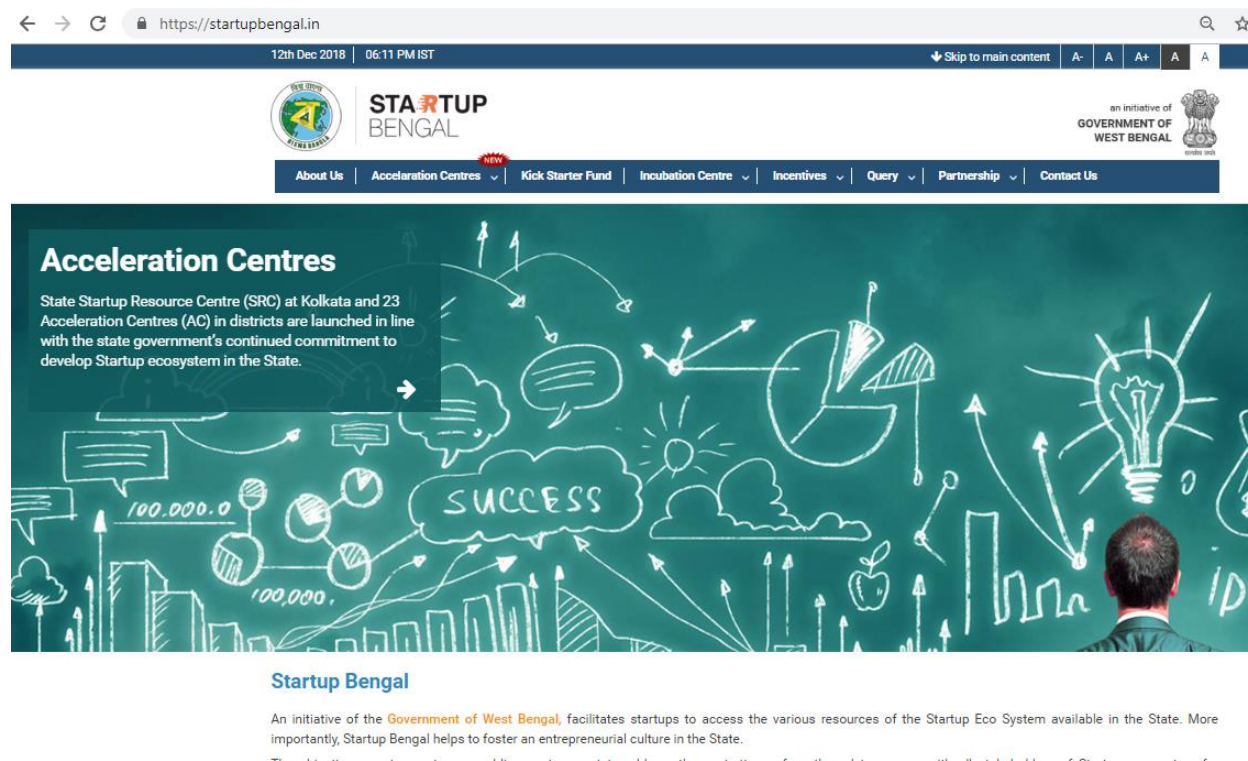
b) Nodal department and officer

Nodal department for supporting Startup activities is **Department of Micro, Small and Medium Enterprise & Textile (MSME&T)** and nodal officer for Startup is **Joint Secretary, MSME&T**.

c) Dedicated Startup portal

State has a dedicated portal for Startups where details related to Startup ecosystem such as Acceleration centers, Kick Started fund, Information wizard, seed funding, venture capital, Mentors, incubation centers, incentives, Partnership and query resolution are available. The portal is accessible at startupbengal.in.

Startups can register and apply for incentives online. The system for availing benefits and incentives is hosted on WBMSME portal which can be accessed from State Startup portal.

Startup portal of West Bengal

d) Progress monitoring

State tracks the progress of Startup activities and uploads them on 'report section' of 'Incubation Center' tab. State has uploaded details of Innovation society, online registration, online incentive application, IP support, Partnership, incubators, seed funding, VCs and National and International event.

e) Mentor network

State has created a robust mentor network comprising of **experts from industry, academia and Startup ecosystem**. Details (including domain area, total experience and contact details) of more than 100 mentors are available on State Startup portal. Registered Startups can access the details of mentors and connect with them.

f) Partnership

State has formed partnerships with academic institutes and corporates such as IIT Kharagpur, STEP-TBI, NASSCOM, and MSME Technology centers. State has uploaded MoUs signed with these institutes on Startup portal.

- **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

- **Appoint dedicated team and establish an innovation society:** State has appointed Ease of Doing Business team to handle Startup activities of the State. State may appoint a dedicated team for managing the Startup activities of the State. State shall also mention domain experience of the team members of Startup cell on its Startup portal.

  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.

- **Online Information wizard:** State has in place an online information wizard to provide approvals required during Pre-establishment and Pre-operation stage. However, State may improve its system and provide customized sector specific approvals, exit approvals and Central Government approvals at one place.

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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.

Key Strengths

a) Subsidized Incubation to Startups

18 Startups have received incubation support from State Government supported NASSCOM Startup warehouse during the period 1st January 2016 – 30th April 2018. Startups are provided space in "Plug and Play" format with subsidized rate of INR 2,500/- per workstation per month.

Way forward

State has provided incubation support to 18 Startups. Additionally, State can improve upon the following areas:

- **Setting up incubators**: State supports 17 IT parks, out of which four serve as incubators for Startups. However, no Government order and sanction letter was shared in this regard. State in its Startup policy has already emphasized that it will facilitate setting up of new incubators in Government and private sectors. State can extend support by providing financial grant for capital expenditure and/or on operational expenditure for covering the initial cost by issuing Government order and/or providing sanction letter.

  State may also explore alternative models of incubation support such as provision of rent free space (on lease) for setting up of Incubators and/or providing matching grants to complement Incubator grants by corporates, academic institutions and Central Government.

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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

Key Strengths

a) Seed funding support

Seed funding in the form of reimbursement of interest paid to Bank is provided to Startups. Startup can apply on the online portal to get required support.

State has supported two Startups through reimbursement of lease rental between January 2016 and April 2018.

Way forward

State has established a mechanism and issued guidelines to support Startups at seed stage. Going forward, State must encourage more Startups to apply for this incentive. State can also consider organizing dedicated annual event for provision of seed grant to early stage Startups.

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3.4 Funding Support - Angel and Venture Funding

It is observed that once a Startup starts gaining traction, there is typically a gap in accessing the growth stage funds to scale up operations. States can play a vital role in bridging the gap by providing incentives for angel investors to attract investments in State based Startups. Another important measure to support growth stage Startups is venture funding where States have been recommended to support or create Venture Fund(s) or Fund of Funds for Startups.

Key Strengths

a) Provision of Fund of funds

State has setup a West Bengal Venture Fund of INR 200 crore for investment in MSME, with 20% of the fund earmarked for Startups. An MoU has been signed with SIDBI, which is the fund manager of this fund.

State has supported Startups under its WBMSME equity fund between January 2016 and April 2018.

Way forward

- **Angel funding**

State may undertake steps to promote angel funding by consulting and partnering with existing angel networks in the country. As a first step, State may identify few leading angel investors and HNIs from the local region to discuss the benefits of angel investing. State may facilitate such discussion through workshops or networking events.

Additionally, State may design special fiscal or non-fiscal incentives to incentivize angel investors for their investments in Startups. Some of the good practices illustrated in the national report may be used for reference.

- **Venture fund(s) or fund of funds for Startups**

State 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 funds.

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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 West Bengal has issued notification for self-certification scheme under relevant State labour laws in which third party certification for medium risk businesses and self-certification for low risk businesses have been provided. Startups are exempted from inspection under various labour laws for initial three years.

b) Support to Startups working in new or disruptive areas and technologies
State has identified upcoming and new technologies such as drones and blockchain. It has conducted workshops to identify policy level interventions required to support such technologies.

Way forward

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

In addition to 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 or 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 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 State Government should be published in public domain

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3.6   Easing Public Procurement

State Government shall provide an equal platform to Startups vis-à-vis the experienced entrepreneurs and companies in public procurement. Typically, whenever a tender is floated by a Government entity or by a PSU, very often the eligibility condition specifies either "prior experience" or "prior turnover" or "EMD". Such a stipulation impedes Startups from participating in such tenders. In order to promote Startups, the framework recommends action points to States to do away with such conditions.

Way forward

- **Do away with criteria of 'prior experience', 'prior turnover' and 'submission of EMD' for Startups in public procurement**

Startups cannot compete with established players on 'prior turnover' and 'prior experience' criteria. Similarly, 'submission of EMD' is another big hurdle for Startups. Hence, Startups lose out on delivering superior and cost effective solutions to Government. The end objective of floating a public tender is to identify an organization that can provide best solution at a low cost. Startups can fulfill the objective provided they are allowed to participate in the government tenders with no deterrent of 'prior experience', 'prior turnover' and 'submission of EMD'. State has currently relaxed such conditions for MSMEs only. State Government may consider removing such criteria completely for Startups from all the public tenders. The amendments may be brought to State General Financial Rules or Procurement rules which apply to all the State Departments, PSUs and agencies.

Furthermore, Startups like MSMEs shall be given preference in percentage terms in the total State procurement. The preference may be given in price or in value of procured goods or services. Some of the good practices illustrated in the national report may be used for reference.

- **Grievance Redressal Mechanism for Startups on public procurement issues**

State Government has already developed an online mechanism for resolving the procurement related grievances of Startups. State may additionally issue a Government order specifying dedicated officer, along with fixed timeline, for resolution of the queries.

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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) Organized outreach events

State conducted outreach events such as Bankura (May'17), Birbhum (Dec'16), Hooghly (Mar'17) and Purulia (Aug'16). These events provided a platform to Startups to showcase their ideas to ecosystem players.

b) Hackathon

State has conducted a 'Bengalthon' in November 2017, where more than 100 participants from across all educational institutions took part.

c) Entrepreneurship cells in each district

State Government has setup entrepreneurship cells in each districts of the State.

d) Supported Startups in participation of National or International events

State has supported Startups in participation of five national and international events. State has also shared sanction letters for participation of Startups.

Way forward

- **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.

- **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.

- **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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