



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

#startupindia

Bihar

Leader

State Startup Ranking Exercise 2018

December 2018

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1. Overview of State Startup Ecosystem

Bihar has performed remarkably well in the State Startup ranking exercise 2018. The State launched its Startup policy in 2016 and further strengthened it in 2017 to accelerate the development of Startup ecosystem. These efforts have been well recognized and State of Bihar has been acknowledged as a **'Leader'** 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:

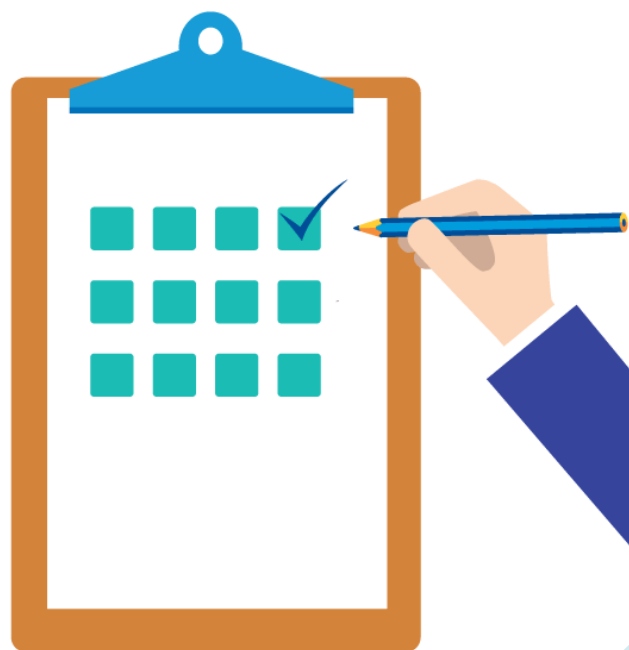
1. Government of Bihar **launched its revised Startup policy in 2017**. The vision of the policy is "To enable Bihar emerge as the most preferred destination for Startups and entrepreneurs by leveraging the potential of local youth through a conducive Startup ecosystem for inclusive growth in the State".
2. Nodal department for Startup is **Department of Industries, Government of Bihar** and Nodal officer for Startup is **Principal Secretary of the Department of Industries**.
3. Startup portal <http://www.startup.bihar.gov.in/Default.aspx> is available with following services:
 - Startup registration
 - Self-certification
 - Grievance redressal
 - Mentor connect
 - Information on incubators, events, partners, etc.
4. The State has constituted various dedicated committees for the development of Startup ecosystem in State.



Startup Investment Advisory Committee with eminent and experienced professionals as its members and **Preliminary Scrutiny Committee** to examine the Startup proposals for incubation and other incentives.

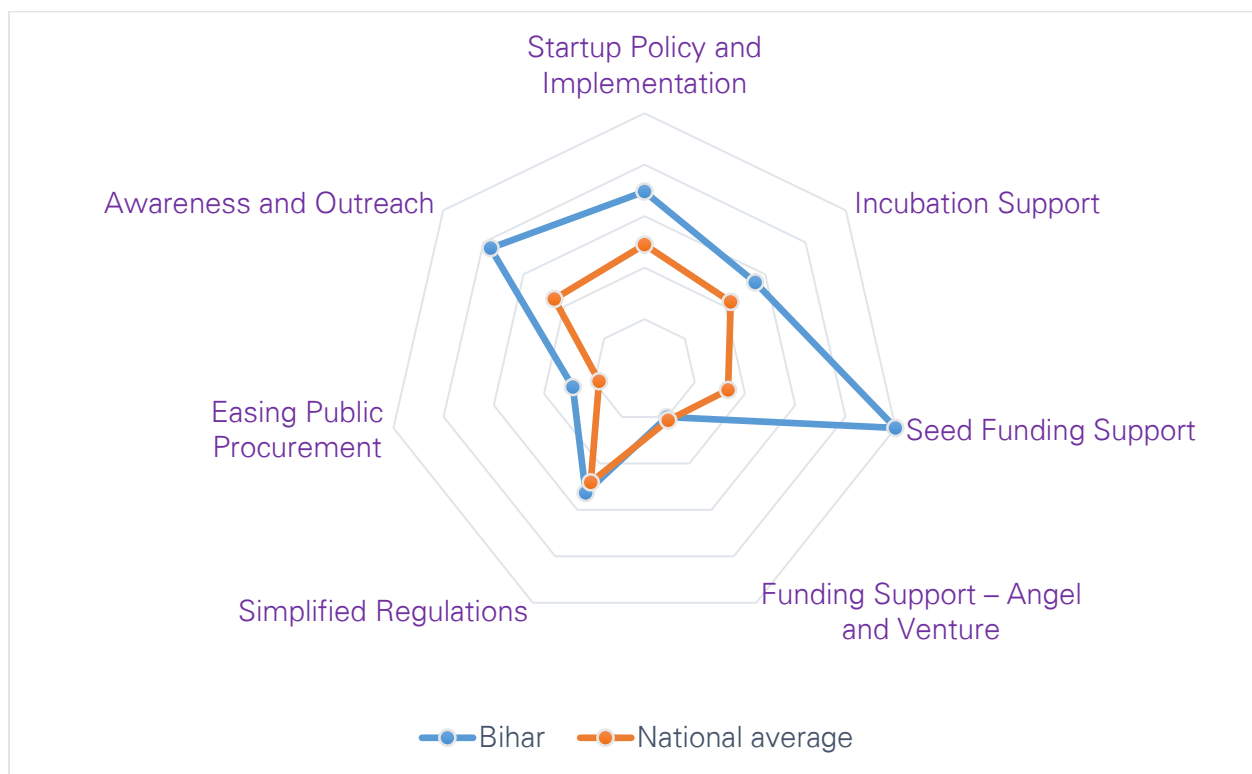
KEY HIGHLIGHTS OF THE STATE

- ✓ Responsive and well-functioning query resolution system available through call 18003456214 and e-mail id startup.care@bihar.gov.in
- ✓ Mentor network with over 100 mentors registered on the Startup portal.
- ✓ Success fee @2% of investment to Startups for mobilizing investments from angel investors.



2. Snapshot of State Performance

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

State Government has performed exceptionally well in 3 pillars namely 'Startup Policy and Implementation', 'Seed Funding Support' and 'Awareness and Outreach' as compared to national average.

State has performed well in 'Incubation Support' when compared to its peers. Going forward, State may undertake additional efforts as indicated in the following chapters of this report of pillar analysis to improve its performance in this pillar.

In 'Angel and Venture Funding', 'Simplified Regulations' and 'Easing Public Procurement' pillar, State's performance is at par when compared with its peers as the data points for both State and national average coincide. The State despite being at par with the national average still needs to undertake significant efforts to improve overall performance in the next round of ranking.

Above performance has contributed to the State's positioning as a 'Leader' 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**

Government of Bihar formulated and notified Bihar Startup Policy 2016 on 7th September, 2016. The State has setup Bihar Startup Fund Trust, with an initial corpus of INR 500 Cr., which acts as the nodal agency for implementation of this policy. The State Government further revised its Startup policy in 2017 by including areas of improvement in implementation of the policy. The revised policy includes incentives such as one-stop portal for Startup ecosystem, self-certification for Startups, financial incentives for incubators, seed funding support, among others.

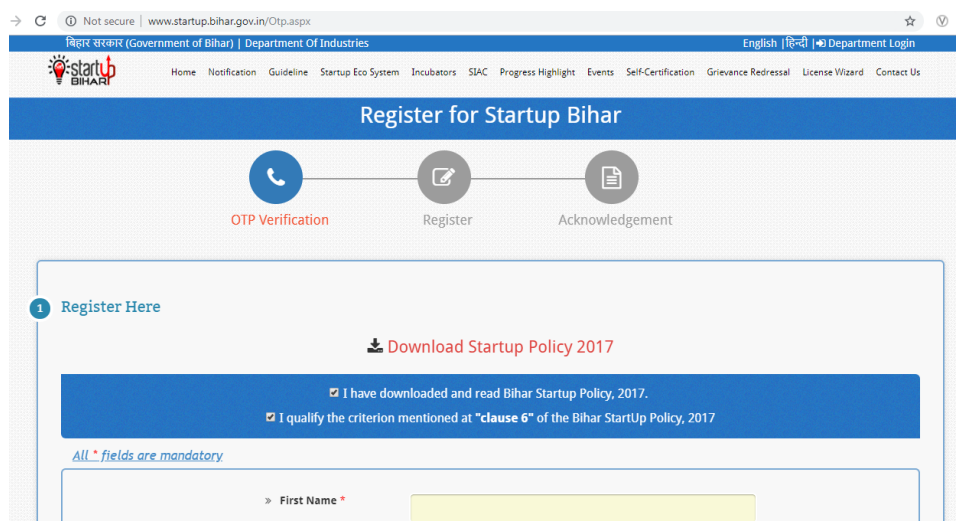
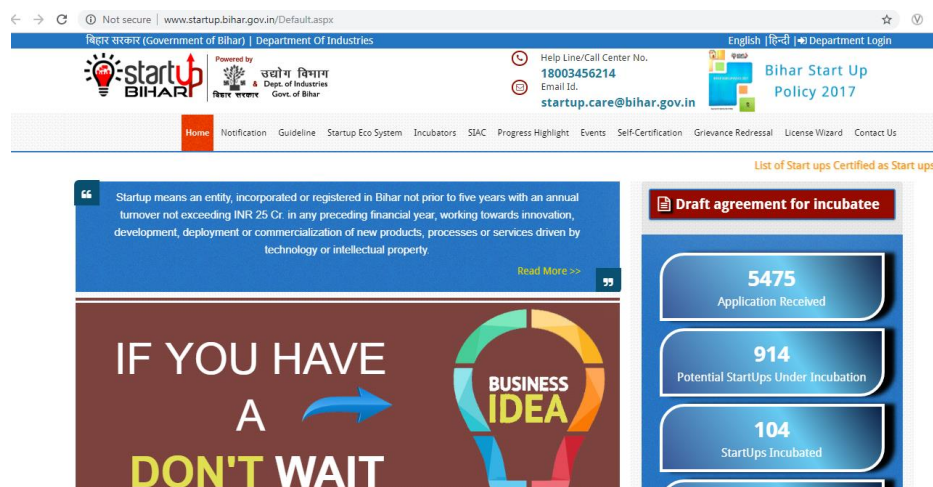
- **Innovation Society**

State Government has constituted Bihar State Innovation Council to promote innovation in the State. Further, sub-committees have also been constituted as a part of the council to lead the development of identified priority sectors. One of the key activity of the sub-committees is to create “Innovation Roadmap” in various domains such as Agriculture, Information & Technology, Energy, Finance, Health, Skill Development, Education, Industries.

- **Dedicated Startup portal**

A dedicated Startup portal is in place with well-defined processes for registration and availing benefits and incentives under State Startup policy. The portal is accessible at <http://www.startup.bihar.gov.in/Default.aspx>.

The portal provides important information or updates of the event organized in Bihar Startup ecosystem. Secondly, it also brings together the entire Startup community on a single platform by providing a mentor network, listing incubators and access to incubators.

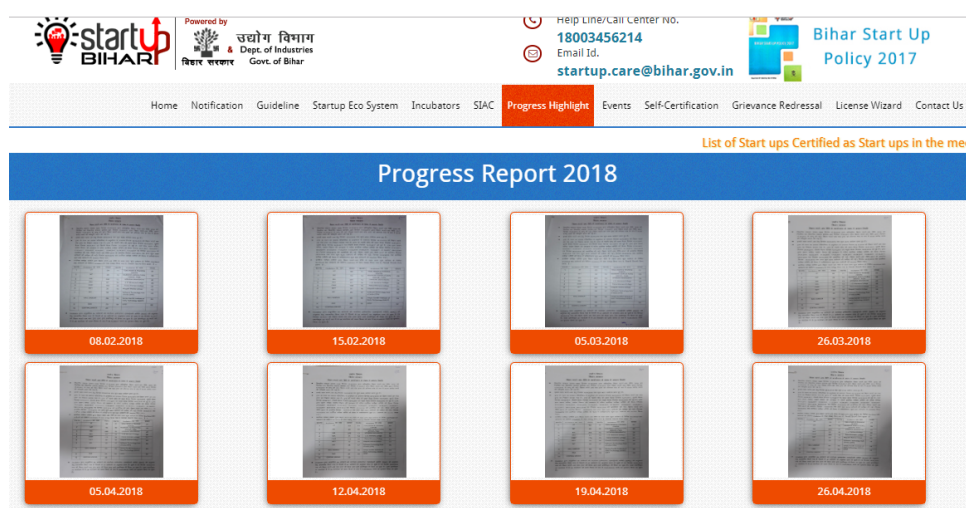


Startup portal of Bihar

The portal also provides functionality of submitting online application for incentives, tracking the status of those application and finally the approvals are also provided online. Startup registration gets completed within 10 days and a registration certificate in the form of official letter from Government of Bihar is made available to the Startup.

- **Progress monitoring**

State has developed an efficient mechanism to monitor the progress of Startup activities in the State. The reports highlight the progress of incubators with list of facilities available in the centers. It also mentions number of Startups incubated and registered under the State Startup initiative. The Startup portal also highlights key statistics on the Startup program. The key metrics used to track progress are Startups with seed grant, venture capital amount, bootcamps, Hackathon, exhibitions conducted and attended, etc.



Screenshot of Bihar progress monitoring reports

- **Query resolution mechanism**

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

- Website: <http://www.startup.bihar.gov.in/ContactUs.aspx>
- Call support: 18003456214
- E-mail support: startup.care@bihar.gov.in
- Office: 2nd Floor, Vikas Bhawan, Bailey Road, Patna - 800015

Startups can submit general feedback through “leave message form” or by responding on the feedback form after the call is completed.

- **Partnerships**

State has formed strategic alliances with State based organizations connected with Startups to foster innovation and entrepreneurship growth. Some of the key partnerships include Bihar Industries Association for support in setting up incubators, Bihar Entrepreneurs Association for promoting culture of entrepreneurship, Bihar Chamber of Commerce and Industries and IIT Patna.

The abovementioned initiatives from the State Government play a critical role in making the State of Bihar such a strong candidate in ‘Startup Policy and Implementation’ pillar.

Way forward

- **Intellectual Property (IP) support centers:** Government of Bihar has nominated Kolkata based patent agents appointed by Government of India to provide IPR support to Bihar based Startups. However, State may also look to establish a physical office such as Patent Information Centre (PIC) or Intellectual Property Facilitation Centers (IPFCs). These centers will provide facilities related to IP Services in various domains of science and technology such as Patent filing, copy right and trademark registration and technology transfer and commercialization.
- **Information wizard** has been developed which provides generic information on approvals required at pre-establishment and post-establishment stage in the State. However, State may enhance the current system by customizing information for Startups. The wizard shall provide information on exit approvals required in the State. Also, incentives such as self-certification under labour and environment laws, faster exit, and other State exemptions shall be included in the State information wizard. The wizard shall act as a single source of information for young aspiring entrepreneurs who are unaware of approvals and clearances required while starting up a business.

- **Mentor network:** State has developed a mentor network of more than 100 mentors primarily related to academic institutes such as IIT, BIT, NIT, NIFT, etc. in the State. These mentors are professors practicing in various technology and business domains. However, State may also consider partnering with business experts and successful entrepreneurs to provide diversity of experience to Startups.
- **Partnership:** The State has forged strategic alliances with multiple Startup support organizations. However, the Startup portal does not detail about the extent of support available to Startup under the active partnerships. The process of information dissemination may be improved to provide useful information to Startups. This will attract many other Startups from within and outside the State to leverage the benefits of the partnership.

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 incubators**

Government of Bihar supports incubators through several incentives mentioned in the Startup Bihar Policy. Financial assistance for setting up of new incubators and expanding State supported Incubators is as follows:

1. Reimbursement of cost for incubating a Startup, up to INR 2 Lakhs per incubatee to Government recognized private and State supported incubators.
2. Fiscal incentive to Incubators @2% of the investment received by its incubatee from SEBI Registered AIFs (Alternate Investment Funds) into Bihar based Startups.
3. Fiscal Grant to State Supported Incubators @3% of the investment received by its incubates from SEBI registered AIFs (Alternate Investment Funds) or Grant received from Government of India for promoting technology based (IPR) Startups and @5% for Startups in social sectors providing solutions to public service delivery problems in Bihar in areas like health, education and nutrition etc.
4. Financial assistance to match the funding raised by Incubator(s) from Government of India and multilateral donor agencies on 1:1 basis on same terms and conditions.

The State has notified a list of host institutes for setting up the incubation centers. The incubation centers receive financial assistance for providing the incubation facility to Startups. Following are the host institutes in the State:

- Indian Institute of Technology, Patna
- Chandragupta Institute of Management, Patna
- Birla Institute of Technology, Patna
- National Institute of Fashion Technology, Patna
- Indian Council of Agricultural Research Complex for Eastern Region. Patna

- Tool Room and Training Center, Patna
- Apparel Training and Design Center, Patna
- Rajendra Agricultural University, Pusa
- Bihar Agricultural University, Sabour
- Upendra Maharathi Institute. Patna
- National Institute of Technology (NIT), Patna
- Central Institute of Plastic Engineering and Technology, Hajipur, Bihar
- Software Technology Parks of India, Patna.

Government of Bihar has financially supported the following two business associations in setting up and running the incubation centers. The support is provided in the form of capital grant and recurring costs.

1. Bihar Industries Association – 5500 sq. ft.
2. Bihar Entrepreneurs Association

- **Subsidized incubation**

53 Startups are currently operating in State supported incubators at 100% subsidized cost i.e. free of cost. The various potential Startup identified by the State Government are attached to one of the host institutes- incubation center. The potential Startups receive a 100% subsidized incubation at these centers and once they are ready with their business plan, they are recommended by the incubation center to the State Government for final certification as Startup and extending seed grant support and other benefits.

Way forward

- **Incubators:** As per DIPP Startup recognition database, there are more than 170 Startups based in Bihar. The number is certainly going to increase in coming years with growing support from State Government. With this background, the State may like to scale up the initiative of setting up incubators.

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

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

- **Guideline and system for seed funding**

Government of Bihar provides seed funding assistance to Startups to develop a prototype product and generate sufficient investor interest for subsequent rounds of funding. Seed Grant up to INR 10 Lakhs per Startup is provided as interest free loan for 10 years. This financial assistance is released on achieving milestones or phases and performance parameters as defined by incubation center and the nodal agency.

The financial assistance is provided to Startups for validation of idea, prototype development, and reimbursement of travelling costs and carrying out field, market research, skill training, marketing and initial activities to setup a Startup. The loan shall be returned after 10 years. An amount equal to 5% of the seed grant is also required to be contributed by the incubatee into the Startup.

Startups can avail seed funding incentive after getting registered under the State Startup initiative. The incubators shall prepare a proposal on the following issues:

- The amount of funding assistance required at various stages
- Any requirement of common infrastructure or other infrastructure
- Any assistance as envisaged under this policy
- Business Plan

A total of 53 Startups have received seed funding support from State Government in last two years.

Way forward

- **Seed funded Startups:** The State has clear guidelines for providing seed funding to Startups. In addition, State may also refer to other models of providing seed funding grants to Startups. The seed may be in form of Government grant, monthly allowance, marketing allowance, product development cost reimbursement, etc. These grants are useful in helping Startups to grow, build their solutions and access markets, while stretching their runway to success.

Seed grant can also be provided directly to Startups or through incubators. This would enable some of these incubatee Startups with innovative ideas or technologies to graduate to a level where they will be able to raise investments from angel or venture capitalists.



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.

Key Strengths

- **Promote angel funding**

Early stage funding support of Bihar Startup Policy 2017 provides following incentives to promote angel investment in the State based Startups:

- A success fee @2% of investment shall be provided to Startups for mobilizing investments from State registered angel investors towards early stage funding
- Financial assistance equal to the amount invested in Startup by the angel groups and Category I Alternate Investment Funds shall be given as loan to the Startup

Bihar Industries Association (BIA) has a key mandate to “search angel investors and tag them with eligible entrepreneurs”. To achieve the objectives, BIA in association with the Indian Angel Network, has established the “Venture Park Incubation Centre” in Patna, Bihar.

In addition, State has organized networking events such as “Bihar Startup Conclave” and “Litti@Venture Park” facilitated learning on art of pitching for investment and to encourage angel investment.

Way forward

- **Venture funding:** State Government has created Bihar Startup Fund Trust with a corpus of INR 500 crore for funding Startups. As per the response provided to DIP, Bihar Government is currently in discussion with SIDBI for their role as fund manager. The fund will operate as a “Fund of Funds” and will nurture Startups supported by Government of Bihar to grow organically and scale to create the intended impact in the society. 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.

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. Besides hiring fund manager, the operating guidelines are also required to be drafted. Alternatively, State may also consider participating in other operational venture funds (public or private) working to promote Startups.

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**

Startups are exempted from licensing or registration for operations under various State Acts for a period of 5 years. Labour Resource Department, Government of Bihar, compliance inspections of a unit or factories or industry under any of the applicable labour laws is to be carried out based on their categorization as Low, Medium & High Risk unit or industry or factory.

- Low risk industries to be exempted from compliance inspections altogether, or the compliance inspection can be substituted with a self-certification
- Medium risk industries can have their physical compliance inspections replaced with a third party inspection

Way forward

- **Online system for Self-certification or third party certification for Startups:** The State supported online self-certification process for Startup under 'Online Bihar Services' may be enhanced to provide acknowledgement or receipt to Startups after successful submission. The receipt shall mention period of validity of the self-certification as proof of compliance by

the Startup. Through this, the Startups will be empowered to operate their businesses hassle free.

- **Support to disruptive Startups:** There are sub-committees responsible for dealing with innovation in 9 areas. However, 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 issues at appropriate platforms to encourage more such disruptive Startups to connect with State Government.

- **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 dedicated 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 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.

Key Strengths

- **Exemption from criteria of prior experience and prior turnover for Startups**

State Government has relaxed the criteria of prior experience and prior turnover for Startups. As per Bihar Industrial Investment Promotion Policy, 2016, under the preferential purchase policy, the criteria of turnover or age of the firm is relaxed by 50% for the MSME units based in Bihar if they meet the technical specifications of the products. The exemption is available to Startups in the State as the same has been provisioned in the Startup policy.

Moreover, the small scale units located in Bihar shall not be liable to deposit earnest money.

- **Preference to Startups in State procurement:**

Government of Bihar also provides preference to Startup in public procurement through following policy measures:

- MSMEs or Startups quoting prices within 15% of the lowest eligible price bid of other bidder(s) shall be eligible for purchase preference in the State. In such cases the MSME or Startup unit shall be given an order of 15% of the total order value on the lowest eligible price bid.
- If two or more State based MSME or Startup units are within L1 + 15% range, all such MSMEs or Startups will be given an opportunity to accept the L1 price and the 15% of the total order value will be equally distributed amongst these units.

Way forward

- **Do away with the criteria of 'prior experience' and 'turnover':** State Government may consider amending the rules and orders governing procurement for all the State Government Departments, agencies and PSUs. The partial exemption of 50% waiver may be amended to provide complete exemption to Startups participating in public tenders. 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 State 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
- **Exemption from submission of EMD for Startups:** State has encouraged small scale units to participate in public tenders from State Government departments. However, the definition of the incentive needs to be broad based to provide exemption from submission of EMD to all Startups as defined by the State.
- **Grievance Redressal Mechanism for Startups for resolving public procurement issues:** A dedicated mechanism 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.

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 outreach events**

Government of Bihar has supported various large scale events to provide a platform to Startups for showcasing their innovative ideas. The State has organized 5 outreach events for Startups in last 2 years.

Bihar Startup Conclave 2017 was jointly organized by Department of Industries, Government of Bihar & Venture Park, the State supported incubation center run by Bihar Industries Association. The event was organized on 11th October 2017 at Hotel Maurya, Patna. Over 400 Startups and budding entrepreneurs, funded Startups, Angel Investors, Investment groups, academia etc. participated in the event. The event had a discussion on 'Disruptalks', Startup Journey, and session on State funding among the others. Venture Park had also organized Business Plan Competition 2017 for Startup entrepreneurs, students and innovators.

Other outreach events include:

1. Startup Bihar Conclave 2016
2. Bihar Entrepreneurship Summit 2017 and 2016
3. Yourstory Meet up

- **Organizing bootcamps**

Government of Bihar has utilized bootcamps in building a consciousness among the students for Starting up. These camps were in line with the emerging Startup ecosystem in the State. The camps were organized by the State Government supported incubation center "Venture Park" which is run and managed by Bihar Industry Association and Indian Angel Network. Details of bootcamps conducted in educational institutes are as follows:

1. National Institute of Fashion Technology, Patna
2. J.D. Women's college, Patna

3. Chanakya National Law University, Patna
4. Birla Institute of Technology, Patna campus
5. Catalyst Institute of Management and Advance Global Excellence (CIMAGE), Patna, Bihar

- **Organizing hackathons**

Department of IT, Government of Bihar has used Hackathon as a tool to adopt low-cost, high impact technologies into governance. State has encouraged students in educational institutes to solve governance related challenges by conducting a Hackathon in BIT Mesra, Patna Campus on 13-14th September 2017.

- **Support participation of Startups in national and international events**

Department of Industries, Government of Bihar has been encouraging the State based Startups in expanding their business outreach by providing opportunities of exposure in the national and international events. The State has supported Startups through reimbursing cost of participation for Startups, sponsoring stalls, setting up Bihar pavilion in events.

Way forward

- **Facilitating entrepreneurship training programs:** State Government may introduce business focused entrepreneurship learning and development programs to support young and creative minds. These entrepreneurship program could be developed online to provide perspectives on entrepreneurship through a series of entry-level and advanced level online learning modules. The online programs may also be scaled up easily in future by introducing them in colleges, universities.
- **Entrepreneurship cells:** The requirement of setting up entrepreneurship cells in educational institutes across all districts in the State was challenging. Nevertheless, State may now prioritize to create a network of entrepreneurship cells across all districts. State is encouraged to scale up the spirit of innovation and entrepreneurship by creating State-wide e-cell network.
