



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

#startupindia

KARNATAKA

TOP PERFORMER

State Startup Ranking Exercise 2018

December 2018

# Table of Contents

1. Overview of State Startup ecosystem.....	1
2. Snapshot of State performance .....	3
3. Pillar wise assessment.....	5
3.1. Startup Policy and Implementation.....	5
3.2. Incubation Support .....	8
3.3. Seed Funding Support.....	10
3.4. Funding Support – Angel and Venture Funding.....	11
3.5. Simplified Regulations.....	12
3.6. Easing Public Procurement.....	14
3.7. Awareness and Outreach.....	15

# 1. Overview of State Startup ecosystem

Karnataka has one of the most mature Startup ecosystems in the country and that's the reason why Bengaluru is known as the Startup capital of India. Government of Karnataka has taken various initiatives to support Startups and build a conducive ecosystem in the State. In Startup ranking exercise 2018 conducted by Department of Industrial Policy and Promotion, it has achieved the status of '**Top Performer**'.

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

1. Government of Karnataka launched Startup policy in **November, 2015. The key features of the policy are as follows:**
  - The **new age incubation scheme** under implementation in engineering colleges will be expanded to all professional and post-graduate institutions in tier-two cities. Institutes will be supported in form of grants for operational expenses, annual financial support for projects, training, capacity building etc.
  - Government would assist in the **setting up of TBIs** in institution of higher learning with well-developed research and development facilities.
  - State will provide funding in form of **Grant-in-Aid (up to Rs. 50 Lakhs to be released in tranches) to innovators** who may need early stage funding.
  - State would support private sector to setup incubation centers and accelerators or expand existing facility and operations on PPP basis.
  - State shall maintain a list of **Common instrumentation facilities** present across the State.
2. Nodal department for implementation of Startup policy is **Department of IT, BT and S&T** and nodal officer for development of Startup ecosystem in the State is **Principal Secretary, Department of IT, BT and S&T**.
3. Startup portal is **startup.karnataka.gov.in**
4. **State Startup cell** is led by a Senior Manager and comprises of other 5 full time members:

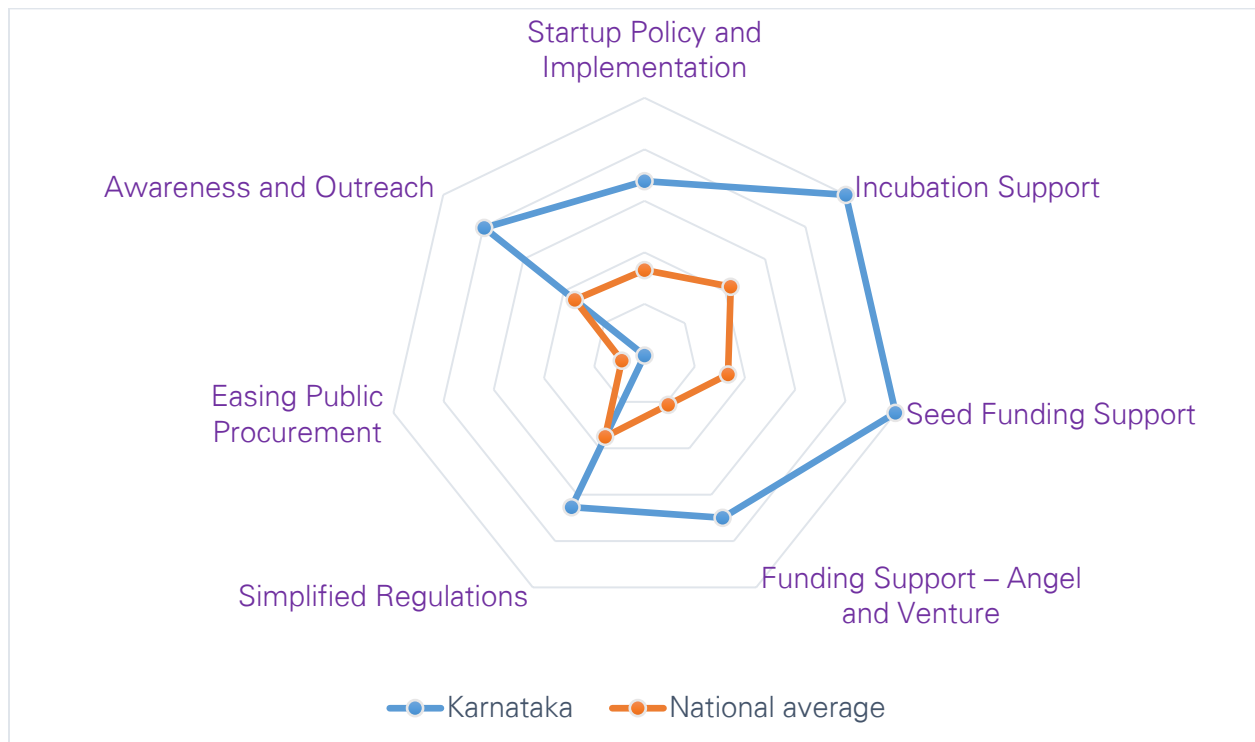


### KEY HIGHLIGHTS OF STATE'S INITIATIVES

- ✓ One of the few States that launched their Startup policy very early (in 2015) in the country
- ✓ Strong pool of mentor network with LinkedIn profile of each of them
- ✓ Total Incubation area supported by State Government is 124,320 sq. ft.
- ✓ Seed funding through Idea2POC scheme
- ✓ Provision of matching funds to support angel investors
- ✓ Support to new and disruptive technologies such as AI, Data science, robotics, AVGC, cyber security etc.
- ✓ Karnataka has collaboration with various countries such as Australia, Finland, Netherland, USA, France and Germany for knowledge and resource exchange

## 2. Snapshot of State performance

The spider web graph below details out State's implementation status on each of the 7 areas 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 Karnataka on above chart is provided below.

Karnataka has done remarkably well in areas such as 'Incubation Support' and 'Seed Funding Support'. In pillars such as 'Startup Policy and Implementation', 'Funding Support – Angel and Venture', 'Awareness and Outreach' and 'Simplified Regulations', State's initiatives are good and its score is above the national average.

State of Karnataka has reported well above the national average on most of the pillars. However, 'Easing Public Procurement' is a crucial area and State may take necessary steps such as removal of prior experience, prior turnover and EMD submission criteria for Startups, so that Startups that deal in non-IT or Tech based products get benefits.

The detailed analysis of the State's performance is described in next section.

\*\*\*

## 3. Pillar wise assessment

### 3.1. Startup Policy and Implementation

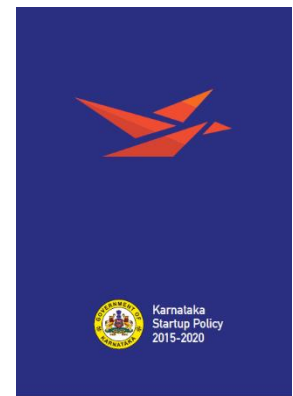
Startup Policy and Implementation covers the basic information related to Startup ecosystem such as Startup policy, nodal department, nodal officer, information wizard and mentors in the State. Additionally, it also verifies whether such details are available online for Startups. The State is also expected 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

#### a) State Startup policy

The incentive and support provided under the Startup policy is intended for only technology based startups. Various benefits available for Startups include:

- Reimbursement of Service Tax paid by startups
- Reimbursement of VAT or CST
- Marketing Incentives to Startups, which includes reimbursements of 30% of the actual costs up to maximum of Rs. 5 Lakhs per year per company
- The cost of filing and prosecution of patent application will be reimbursed to the incubated startup companies subject to a limit of Rs. 2 lakh per Indian patent awarded.



KARNATAKA STARTUP  
POLICY 2015

#### b) Women entrepreneurship

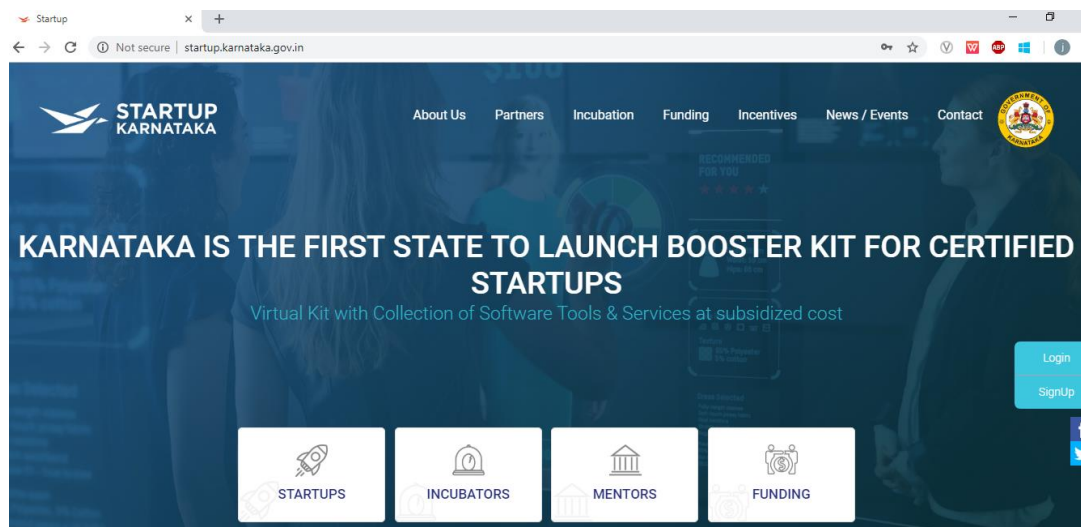
The policy talks about providing/reserving 10% incubation space for women entrepreneurs.

#### c) Startup portal

State has a dedicated Startup portal ([startup.karnataka.gov.in](http://startup.karnataka.gov.in)) with all the relevant information for stakeholders of Startup ecosystem at one place. Information available on portal includes:

- Incubation detail (List of Incubators, CIFs, partner Incubators, and list of incubatees)

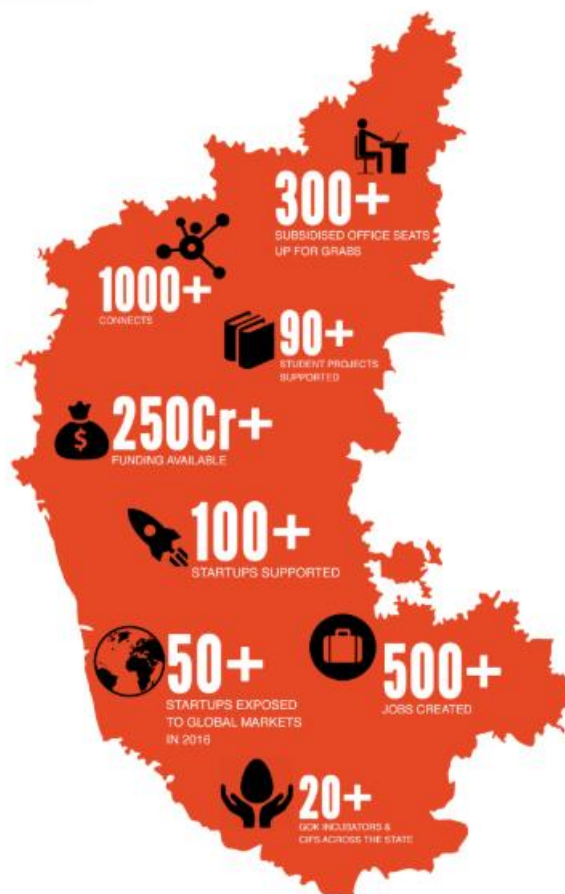
- Partner's information (Booster kit, list of mentors, academic institutes, and IP facilitation centers)



- Other details including funding details, operational guidelines document, incentives available and reports

Startups can easily register and apply for incentives online. Portal has a provision to display the status of applicant's application.

#### KEY HIGHLIGHTS OF THE CELL'S ACTIVITIES



#### d) Mentor network

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

#### e) State Startup cell

State has established Startup cell in Karnataka Biotechnology and Information Technology Services (KBITS) with in Dept. of IT & BT. The role of Startup cell is to promote



Bangalore and Karnataka as the ultimate startup destination in the World.

State launched dedicated Startup policy, established institutions and designed an online portal where required information is available for Startups. All these initiatives makes Karnataka a strong performer in the pillar of 'Startup policy and implementation'.

#### Way forward

- **Information wizard**

The information wizard needs to be updated to include the information such as State and Central level clearances required once a Startup exits the business.

\*\*\*

### 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) Incubators in the State**

Government of Karnataka has signed MoUs with 11 partners to set up Incubators and facilitate Startups with relevant infrastructure.

The list of Incubators supported during the period between January 2016 and April 2018 are as follows:

- GOK Startups warehouse managed by NASSCOM 10K
- GOK Incubator for Tech Start-Ups (GIFTS) in PPP mode managed by 91SpringBoard
- GOK-Mobile 10x Start-Up Hub with IAMAI
- Common Instrumentation Facilities (CIFs) set up by IKP Knowledge Park
- Bangalore Bio-innovation center
- NASSCOM DeITY IoT-CoE

##### **b) Incubation area**

The total incubation area in Incubators supported by Government of Karnataka is 124, 320 sq. ft. Facilities available in these Incubators include seats with subsidized rental, event space, conference rooms, testing zone, play zone, pantry and various other facilities. Details of incubation area for key Incubators are as follows:

- GOK Startups warehouse managed by NASSCOM 10K – 37,720 sq. ft.
- GOK Incubator for Tech Start-Ups (GIFTS) managed by 91SpringBoard – 27,000 sq. ft.
- GOK-Mobile 10x Start-Up Hub with IAMAI – 10,000 sq. ft.
- Bangalore Bio-innovation center – 49,600 sq. ft.

##### **c) Startups supported in such Incubators**

More than 250 Startups have been provided subsidized incubation in State supported Incubators between January 2016 and April 2018.

## Way forward

- **Setting up Incubators**

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

\*\*\*

### 3.3. Seed Funding Support

In an evolving Startup ecosystem, many ideas are born and the initial seed support works as a catalyst to transform these ideas into businesses of tomorrow. Seed Funding Support is one the key pillars of the framework and under this pillar, States are encouraged to:

- Develop seed funding guidelines
- Develop online systems to enable Startups to apply for seed support
- Measure the impact created by State by providing seed funding to Startups

#### Key Strengths

##### **a) Provision for seed funding**

State Government provides seed funding under the 'Idea2PoC' scheme of Startup policy of Karnataka 2015-20.

Elevate, seed funding program of Karnataka, has a mix of online and offline processes. The application is filled and received online, whereas idea pitching and judgement is done offline. The final result is announced during event and is also posted online.

##### **b) Startups supported**

More than 170 Startups have been provided Government supported seed funding in the State between January 2016 and April 2018.

#### Way forward

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

\*\*\*

### 3.4. Funding Support – Angel and Venture Funding

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

#### Key Strengths

##### a) Promote angel funding

In order to encourage angel investors to invest in Karnataka based Startups, State provides support for angels in form of matching funds. In addition, State also provide facilities such as registration to Startup portal, free entry in Startup events, and engagement as evaluators.

##### b) Venture capital funds

Venture capital funds by the name Karnataka Semiconductor Venture Capital Fund (KARSEMVEN Fund), KITVEN3 (Bio-tech), KITVEN4 (AVGC) and KITVEN2 have been established to assist startups in the field of semiconductor, bio-tech and allies sectors and animation, video, gaming and comics.

#### Way forward

State may refer to some of the practices of other States to improve in these pillar:

1. Offering a success fee at a fixed rate to Startups for mobilizing investments from State based angel investors
2. Setting up of a dedicated angel fund that can co-invest along with angel groups in State registered Startups

※※※

### 3.5. Simplified Regulations

Often, new and small firms are unaware of the nuances of the regulatory issues and can be subjected to intrusive action by regulatory agencies. In order to make compliance for Startups friendly and flexible, simplifications are required in the regulatory regime.

The framework recommends State to undertake reforms by

- Enabling self-certification and/or third party certification for Startups under all applicable labour laws
- Developing online system to facilitate self-certification and/or third party certification
- Supporting Startups working in new or disruptive areas and technologies
- Designing process for publishing policies and regulations regarding adoption of disruptive technologies and business models

#### Key Strengths

##### a) Self-certification for Startups

Labour department of the State issued a notification for self-certification for Startups.

##### b) Online portal for self-certification

State has linked State Startup portal with Labour department portal

**(labouronline.kar.nic.in)** for Startups to self-certify under specified regulations. In addition, State has provided user manual for applying self-certificate under various labour laws.



##### c) Regulations on disruptive areas

Government issued a **notification** dated 26 April 2018 detailing mechanism to draft policies and regulation regarding adoption of disruptive technologies and business model. It listed mechanism which includes

- Technology selection and prioritization
- Consultation
- Technology specific framework

#### **d) Disruptive technologies**

State Government has identified following areas as disruptive technologies:

- AI & data science
- MI & robotics
- AVGC
- Cyber security

#### **Way forward**

State performance is above national average in this pillar. In addition, State may consider including a timeframe in which consultation are conducted and draft and/or final report are published.

※※※

### 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

State Government has **removed criteria such ‘prior experience and turnover’, ‘submission of EMD’ and included preference in public procurement for IT based Startups**. However, these criteria restrict the benefit to only to those Startups that have IT or technology based solution. Those Startups that don’t have tech based solutions will still remain out.

Going forward, it is suggested that State widens such support to all kind of Startup (including non-tech based) provided they meet quality and technical specification.

Secondly, it is suggested that the grievance redressal system be developed in a way that it addresses grievances of Startups in a time bound manner.

※※※



### 3.7. Awareness and Outreach

State Government plays an important role in human capital development and thus the framework in this area evaluates efforts taken to promote entrepreneurship among students. Also, it encourages State to directly reach out to ecosystem components through events, hackathons, bootcamps, etc.

#### Key Strengths

##### **a) Organizing outreach events**

State Government organized numerous outreach events where in a platform was provided to Startups for showcasing their ideas to ecosystem components. The details of outreach events are as follows:

- ELEVATE on 29-30<sup>th</sup> August 2017
- Bengaluru Tech summit on 16-18<sup>th</sup> November 2017
- AgriTech event on 28<sup>th</sup> March 2018
- Elevate call 2 on 28<sup>th</sup> December 2017
- Bengaluru ITE.biz 2016 on 28-30<sup>th</sup> November 2016

##### **b) Organizing bootcamps**

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

- Startup Pitch on 5<sup>th</sup> November 2016
- Startup Saturday on 11<sup>th</sup> March 2017
- Ideathon at GES on 27-28<sup>th</sup> February 2018
- Rustathon2K18 on 10<sup>th</sup> February 2018
- Poster presentation competition 2017 on 11<sup>th</sup> November 2017

##### **c) Organizing Hackathon**

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

- Smartathon for solutions related to Smart Home, Smart City etc. (23-24<sup>th</sup> February 2018)
- Hack for India to develop a mobile application based solution (18<sup>th</sup> November 2016)
- Blockchain Hackathon for solutions related to Real Time Record Maintenance, Incidence Based Payment Systems etc. (19-21<sup>st</sup> January 2018)

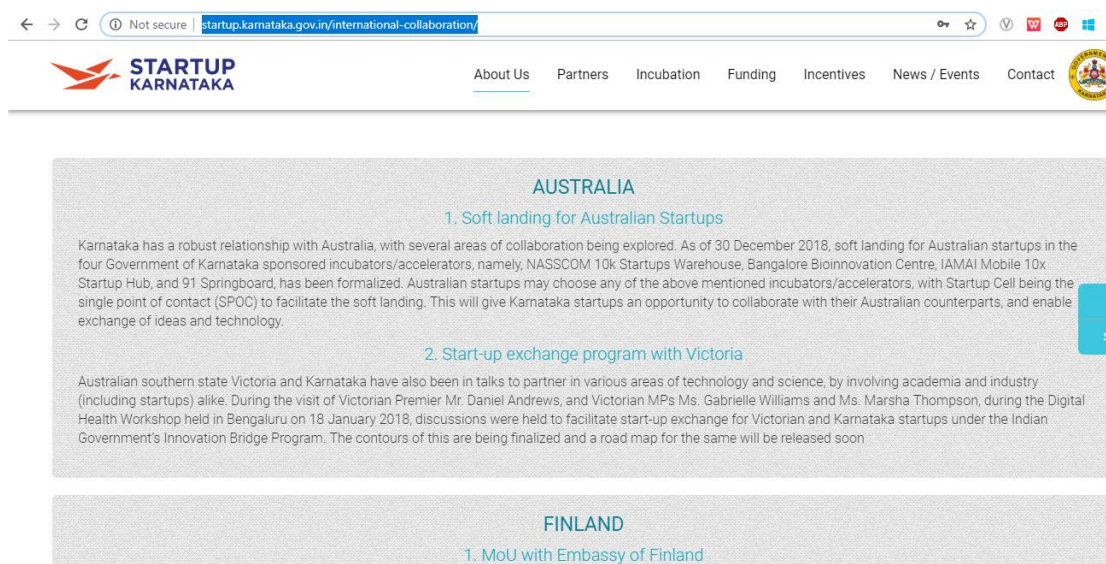
#### d) Startups supported in National and International events

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

- Bio Korea 2016
- Biotech Japan 2016
- BIO San Francisco 2016
- CeBIT Germany 2016
- Japan IT WEEK 2017

#### e) Partnership with countries and international agencies

State Government formed partnership with countries such as Australia, Finland, Netherlands, USA, France, and Germany. The detail of their partnership is available on State Startup portal ([Startup.karnataka.gov.in/international-collaboration/](http://Startup.karnataka.gov.in/international-collaboration/)).



#### Way forward

##### • 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. State Government has organized Entrepreneurship development programs in colleges and universities. Going forward, State may conduct such training in other educational institutes of the State. Additionally, 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 has setup E-cells at few educational institutes. State Government is encouraged to develop at least one e-cell in college or university in each district in the State.

※※※