



Confederation of Indian Industry

**RECOMMENDATIONS FOR
DEVELOPING
STATE ENTREPRENEURSHIP
POLICY**

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1 BACKGROUND

Today, the world is moving towards the era of knowledge economy, where the enablers of Innovation have shifted from traditional approach to modern approach for sustainable inclusive growth of the society. Also the revolution of Information Technology has shifted the innovation paradigm from a single-stranded to a collaborative approach. The digital world offers an unprecedented opportunity for organisations to reach outside the physical walls to find unique ideas on virtual platforms, and network with relevant players across globe.

In this world of opportunities it is important for India to go local and reap the dividends of its vast and rich demographic diversity, represented by its states. In essence it is essential for each Indian state to harness the untapped ideas and talents of its people to make the state innovation driven and competitive. This journey of innovation need to be intertwined with increased economic activity within the states and with the uplifted living condition of its people.

To realize this economic growth within the state it will be essential to mobilize the local resources and building an entrepreneurial ecosystem which support creation and scaling up of new ventures and start-ups driven by talented entrepreneurs. Start-ups are the seeds of future business of any economy. An industrialized economy thrives upon its existing big organizations and profit making industries which have grown in size and reputation with time, starting themselves from a fledgling businesses or start-ups in the past. All such organizations, big or small, have a lifetime. Hence it is very important to encourage and nurture the new businesses of today, so that it can grow and take part in the economic development of a nation in future.

Unless the government of a state takes active role in identifying, recognizing and facilitating the new ventures of its region, in collaboration with the local industry, incubators, accelerators and other innovation stakeholders, and takes proactive measures to set up a robust entrepreneurial ecosystem, the innovation journey remains incomplete. Without which the state loses prospect of creating new jobs for its people and lags behind in competing with its peers who are ahead in the innovation curve.

In this context it is incumbent for each state government to formulate a robust policy guideline which will encourage its students, experienced professionals and innovators to set up new businesses and provide opportunity to scale up the business ventures. This activity will have a ripple effect on job creation, and will bring forth innovative solutions to address local challenges.

Thus, the current document will present recommendations for building a state level “entrepreneurship policy”, which can be referred and used by the policy makers while drafting such a policy in the State.

2 OBJECTIVE

To create an enabling infrastructure/ecosystem which supports and facilitates the development and scaling-up of new business ventures and technology start-ups within the state by leveraging state resources and institutional set up, towards the benefit of local entrepreneurs, innovation practitioners, experienced professionals, and creation of new jobs in the region.

3 GOALS

This document proposes a blueprint to suggest how the state government can promote innovation by understanding the needs of the people of the state and its challenges of demography, disparity and development. Following are the goals for this roadmap:

- Make the public and the private sector collaborate more to foster innovation culture within the state.
- Encourage local universities, colleges, SMEs, R&D Institutions to set up incubation centres with support from State Government, or to connect each such institution to an incubator/accelerator (at least one) and its facilities for building an innovation ecosystem in the State.
- Set-up innovation indicators in the State to understand innovation potential of the state vis-à-vis its peers and encourage local innovators to compete.
- Identify, reward and promote innovation success stories. Bring together student innovators from professional and technical colleges across the state and provide them platform to build new business ventures.
- Attract innovators across India and globe, and provide them opportunity to cross-fertilize ideas with state grown innovators.
- Organize seminars, lectures and workshops to create awareness among innovators, industry, and academia at large and to drive the demand of innovative products and services in all sections of society.
- Set up risk capital for start-ups and new ventures by allocating dedicated State budget.
- Inviting VC's, Angel investors to fund and mentor state level entrepreneurs to scale up their ventures from concept to market. Provision to be made in the policy to incentivise such investors.
- Transform State's Industry Clusters (primarily of SMEs) into Innovation driven Clusters.
- Connect the state with national and global innovation networks. Invite innovation driven economies across the globe to explore partnership opportunities

4 ABOUT THE STATE

This section will list down the state details along with numerical indicators.

4.1 About the state and its potential

- Heritage
- Universities and Technical colleges
- Industry (Including Clusters and GIs)

- Institutional set up (Financial, R&D and Services)
- State resources (human capital/natural resources etc.)

4.2 Existing innovation culture in the state

- Incubators/accelerators (Number/Location/Area/Effectiveness)
 - Total funding within the state for new ventures and start-ups by State/VCs/Angels/Any other sources
 - Regulatory framework for business activity in the state
 - Time to set up business
 - Ease of availability of seed funding
 - Single window clearances
 - Land acquisition laws
 - Existing policy for new business ventures
 - IT infrastructure
- Vision for next 5 years in terms of economic development

(This section will list down in concrete terms and numerical indicators what the state aims to achieve in next 5 years period to improve its innovation climate. For example: [1] Set up 5 world class incubators [2] Set-up 1000 start-ups in different parts of the state.[3] Scale up at least 5 start-ups to cross 100 crore mark in revenue etc.)

5 ENABLERS

The state innovation and entrepreneurship policy will set guidelines to rapidly build infrastructure and linkages to set up new ventures and scale up existing start-ups for the development of entrepreneurs in the state. The policy in its essence will address the challenges of developing and adopting inclusive innovations to benefit more and more people. The following pillars will be essential to establish the base of this policy guideline. Modifications or amendments to this section need to be carried out by consulting the relevant stakeholders and the goals set by the state government to create a sustainable entrepreneurial ecosystem.

5.1 Pillar 1: INSTITUTIONAL INFRASTRUCTURE

The institutional infrastructure plays a crucial role in the development of a region and attracts business, by providing good governance. In spite of having some scattered sectoral innovation policies at the national level, currently there exists no innovation strategy focused on collaborative growth of institutional set up in a state. The existing infrastructure is not sufficient to address the growing needs and problems of the entrepreneurs in the state, who wants to set up and scale up businesses. Following are some measures the policy should focus on in this area:

- 5.1.1 Study the existing models incubation centre/accelerators across the state vis-à-vis other states and nations, and come up with recommendation on the facilities and infrastructure to be developed in the existing incubators/accelerators.

- 5.1.2 Facilitate setting up of world class incubation facilities in different sectors and locations and in higher educational institutions within the state. All these incubators to be equipped with high speed internet facilities (2GBPs and more).
- 5.1.3 Set up market research wings as part of these incubation centres which will primarily provide in-depth marketing support to new start-ups and SMEs.
- 5.1.4 Set up world class accelerators at different parts of the state to cater student entrepreneurs and others.
- 5.1.5 Promote development of innovation & incubation centre through public-private-partnership (PPP) model in all its Industrial clusters, GI locations, Universities, Technical colleges, Research institutions.
- 5.1.6 Facilitate building Common Facility Centres (CFCs) in each its sme clusters as per need. Tax incentives should be provided to SMEs and Start-ups for regularly utilizing these centres, for carrying out R&D activities, and for filing IPRs. These CFCs will also work to identify, encourage and nurture talented new entrepreneurs from the community. The cfc's will comprise of:
 - Common R&D facilities (Testing Labs & Tool Rooms)
 - Specialized Start-up facilitation centres
 - Networking platforms
 - IPR facilitation centres
 - IT facilitation Centre

5.2 Pillar 2: HUMAN CAPITAL

The policy needs to set guidelines for encouraging innovation among students, experienced professionals, innovation promoters and others, which will benefit all aspects of economic activity. This goal could be achieved by providing right educational support to bring out innovator-entrepreneurs and technopreneurs. The universities and educational institution in the state should work in collaboration with the local industry to groom efficient manpower. This skilled workforce will not only work in emerging technologies but also add to the culture of entrepreneurship. Following are some measures the policy should focus on in this area:

- 5.2.1 **Update Syllabus:** The universities will be advised to change the course curriculum to be in tune with the emerging technologies and align to the requirements of the Industry. Project based modules to be introduced where students have to take up group projects in industry to solve real life problems, as part of their curriculum.
- 5.2.2 **Faculty Upgradation:** A special scheme for faculty upgradation shall be introduced. This scheme would ensure exchange of knowledge between the faculty from technology and business domains. Also faculty will be exposed to international platforms to know more about commercialization of technology.
- 5.2.3 **Innovation as an Elective Paper & Mandate apprenticeship:** All educational institutions offering under-graduate courses will introduce innovation as an elective paper and encourage student to take industry problems under

internship/apprenticeship. Additional credit will be given to students who score well in these courses.

- 5.2.4 **Encourage research and subsequent IPR filing:** every institute must create a framework, wherein student and practitioners will be encouraged to carry forward their research leading to filing of IPR. The framework must heavily credit IPR filing and granting of patent through such research activities. This will create IPR awareness and increase the R&D standard of our existing education system.
- 5.2.5 **Credits to IPR and insertion as electives:** All academic and research institutions will be advised to give additional credits to those, who will successfully complete notified online/offline courses on IPR.
- 5.2.6 **Gap Year for Student Entrepreneur:** It is proposed to foster a culture of entrepreneurship by bringing in the concept of Gap Year for aspiring student entrepreneurs. In this scheme students who have already established or would like to establish a star-up will be encouraged to take a study gap of 1-2 years from the concerned academic institution without discontinuation of his candidature. The students who fail to establish business will be able to come back to mainstream education after the specified gap period.
- 5.2.7 **Innovation & Entrepreneurship @ College level:** Colleges shall consider offering 20% relaxation in attendance and 5% Grace marks for those students who join an incubator and do hands on work in new start-ups.
- 5.2.8 **Put idea box and encourage sharing ideas at school level:** The schools in the state should be encouraged to put up idea box for students to contribute new solutions for day to day challenges faced in the school system. Good ideas should be encouraged and given credit in such idea competitions where both students and teachers can participate. These competitions will ignite the imagination of students.
- 5.2.9 Design thinking should be introduced as an important tool in academic and research institutions to enable students and practitioners to come up with new Ideas and concepts. Design projects should be made an integral part of course curriculum in academic institutions.
- 5.2.10 **Transformation Academy in each district:** An academy for fostering Innovation in each district of the State can be established to monitor the implementation of the innovation and entrepreneurship policy in the district. This would help in institutionalizing the culture of entrepreneurial competitiveness in the state ecosystem.
- 5.2.11 **Attracting International Consultants:** The State Government shall provide subsidy for bringing international consultants to the state incubation centres for encouraging infusion of outside knowledge in the state entrepreneurial ecosystem.
- 5.2.12 **Digital Literacy:** The State shall establish a well-knit Digital Literacy system which should be penetrated at the grassroots level to impart business knowledge, so that the members in every household get a chance to imbibe the knowledge of doing business. An incentive structure like low interest loans for

setting up small businesses will attract more people to access and use these e-literacy classes.

- 5.2.13 **Market Support and State Database:** State Government shall establish a scheme to provide grants for conducting business surveys and doing research on trends in technology, research, innovation and market intelligence. This will enable the local people to develop a culture of facts finding and market research, essential for start-ups.
- 5.2.14 **Business Networking and promotional events:** The Government will promote and encourage participation of its institutions in various national and international events hosted by the industry. Government would also undertake various promotional events and roadshows at various locations from time to time.
- 5.2.15 **Government Reimbursement:** Government should provide reimbursement for example 50% or 100% for SC/ST & Women Entrepreneurs for the exhibition stall rental cost for participating in the notified national/international exhibitions limited to 9 sq. m of space would be provided to the start-ups.
- 5.2.16 **Digital Marketing:** Advertisement and marketing support subsidy will be provided to start-ups for digital marketing.

5.3 Pillar 3: FUNDING

Innovation Funding is an area where the State needs to focus a lot more to create a structured system to benefit the entrepreneurs. Currently other than VCs and Angels there are no reliable funding mechanism to encourage the entrepreneurs, and this is the single most important area which is responsible for failing of many potential start-ups in each state. Hence special attention should be given to improve the funding environment in the state for its start-ups.

- 5.3.1 The State Government to create an Innovation Fund for entrepreneurs and start-ups which will be accessible by people at their gram/zila/panchayat level. This fund will invest money on new ventures in the range of 1-25L as grant vetted by expert group (appointed by government).
- 5.3.2 The State Government will encourage Start-ups who have attracted VC and Angel funding by investing equal amount of grant in their business (But not exceeding 25L). This will provide risk capital for start-ups to scale up their business and reduce the risk of failure. It will also attract more VC, Angel and Equity funding from within and outside the state.
- 5.3.3 Government can consider setting up IPR exchange for using IP as a mortgage by start-ups and SMEs to generate fund. Such Exchange can be used as State IPR pool to attract foreign investment.
- 5.3.4 Women entrepreneurs should be given 50% Tax benefits for setting up new ventures and availing state supported funding. Women from ST/SC and other backward classes should be given 100% tax exemption for setting up new ventures.
- 5.3.5 Government should channelize funding to the start-ups directly after the start-ups apply and get selected by an expert body comprising of investment/business experts constituted by the state.

5.4 Pillar 4: STATE SUPPORT

- 5.4.1 **State Innovation Portal:** The state to develop state innovation portal for disseminating all its innovation and entrepreneurship related news and announcements, and for linking industry, start-ups and academia within the state. It will be a single window platform to galvanise the collaborative projects and provide opportunity for idea exchange. Such portal should be made accessible to everyone who wishes to be part of it and can provide membership to all state actors. It could also be used for developing industry-academia partnerships as well as facilitating national and global collaborations, and promote innovations in critical sectors such as water, energy, environment, biodiversity and others which are important for the development of the state.
- 5.4.2 **Fiscal and Non-Fiscal Incentives:** The fiscal and non-fiscal incentives applicable to all categories of innovation driven industry would be applicable to the incubators, accelerators and start-ups.
- **The incentives available for MSMEs in the Innovation policy would also be directly applicable to the start-ups, In addition to that:**
 - **Reimbursement of VAT/CST:** Reimbursement of VAT/CST on goods supplied to the Incubator or incubatee and on sale or leasing of goods by Incubator to incubatee would be provided.
 - Specific sectors such as health, food security, education, energy and others can be given special incentive basis state's consideration.
 - **Special provisions for the Start-ups:** A highly empowered 'Single Window Clearance Unit' will be created and operationalized for granting approvals & clearances to start-ups. A single window clearance will be provided for VAT, Labour, Municipal and other local registrations and compliances. It would be supported by state-of-the-art centralized help desk on 24x7 basis by leveraging the innovation portal set up by the state. The objective of this window would be to (a) reduce time to set up business and (b) reduce cost of doing business. In addition, allocation of space will be provided to incubators and start-ups on priority. Special dispensation for Start-ups backed by PE/VC funding would be created.
 - **Local Artisans and Craftsmen:** Businesses supporting local artisans and craftsmen should be given special tax incentives for setting up and scaling up businesses.
 - [This list to be amended (expanded/edited/modified) by individual states as per need]
- 5.4.3 **Awards for Innovation:** The government will encourage entrepreneurship by establishing State Start-up Awards. The focus of these awards will be mostly on recognizing and encouraging top 10 start-ups in the state for a given year. This award will be conferred every year.
- 5.4.4 **Information Technology:** State can provide IT support to its start-ups in the following ways.
- **Cloud Server:** State Government would host a cloud sever that would connect all the incubation centres across the state. This server would be beneficial to all the start-ups at low or nominal costs.

- **Enterprise Software & Device Testing Labs:** Based on the requirement, State Government would procure Enterprise versions of key software required for testing and other purposes. These software and Labs can be utilised by the companies in the incubation space at low or nominal charges.

5.5 Pillar 5: LEGAL & IPR SYSTEM

The legal and IP Regulations must be conceptualized and framed in such a way that there is a return on investment scheme to drive the innovation flow. Hence India need adequate legal infrastructure to protect, reward and enforce intellectual property. The existing IPR and legal framework is not sufficient to protect the large number of innovations (including frugal innovations) coming from knowledge rich economically poor people across the nation. The states must make provisions for IP awareness and provide sufficient incentives for filing IPRs.

5.6 Pillar 6: GOVERNANCE OF INNOVATION POLICY

A robust Innovation and entrepreneurship policy will be essential for the state to encourage its students, innovators, entrepreneurs, technopreneurs, experienced professionals and all other innovation aspirants and practitioners. This policy will set the basic guidelines and will be revised in timely manner to incorporate new changes in the state level strategy. This policy should also enhance the clarity in imposing effective governance in this area.

- 5.6.1 **State Innovation Council:** The State Innovation Council (SInC) would be empowered and represented by representatives from Government, Industry, Academia and the other innovation stakeholders. The SInC would administer and govern the policy in a speedy, time-bound and transparent manner.
- 5.6.2 **Empowered Mission for Innovation & Capacity Building:** An empowered mission could be established to fast track the development of start-ups in the state. The mission would be headed by a Technocrat who has a proven record of promoting innovation in technology areas and appointed directly by the Chief Minister. It would consist of Industry experts, Scholars, Investors, Consultants and Bureaucrats.

5.7 Pillar 7: UNIVERSITY, INDUSTRY, AND SCIENTIFIC ESTABLISHMENT COLLABORATION

Mechanisms of collaboration need to be created for universities and industry bodies so that research output and innovations can effectively be commercialized and transformed into marketable products and services. Such type of collaboration will bring key stakeholders together to analyse problems and recommend solutions. The incubation centre will provide infrastructure and support, the Innovation fund will provide fund for right opportunity and Innovation portal will provide platform for such collaboration. These linkages will enable ideas to be transformed into sustainable ventures.

6 CONCLUSION

The current document proposes recommendations for Government to implement its Innovation and Entrepreneurship Policy at the State level. The primary objective of the document is to suggest steps which can stimulate innovation and spur entrepreneurial growth in the state, and also enable the government to set up a growth path for the next 5 years. With the increasing aspirations of the people of India in setting up world class businesses, and with the gradual shifting of greater responsibility on states to enhance its entrepreneurial ecosystem, this document will be useful for state policy makers to take a look at the essentials of building up a world class innovation ecosystem.

State Innovation and Entrepreneurship Policy would be valid for a period of 5 years from the date of its commission.

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Confederation of Indian Industry

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