CASE STUDY 3: KARNATAKA

Karnataka is a State in the South Western region of India. It is the first State to provide incentives and concession like Booster Kits for certified Start Ups.

Background/ Initiatives Undertaken:
- The State is the first to announce a multi-sector Startup policy.
- The State allows self-certification based compliance under Labour and Environment Laws identified by DIPP.
- The State has a dedicated website and helpline for direct communication between Startups and Government.
- The State has a Startup cell with a dedicated relationship manager and Startup Portal which helps Startups with registration, application for Incentives and booster kit.
- The State has tie ups with industry bodies such as NASSCOM, IAMAI, 91SpringBoard etc.
- The State has partnerships with academia through New Age Incubation Network (NAIN), for providing financial assistance, mentor connect to startups.
- For commercialisation of R&D, two Technology Business Incubators (TBIs) have been setup and seven new TBIs have been identified.
- Funding support is extended by means of ongoing Grand Challenges and specific funds such as Semiconductor Venture Fund, Bio Venture Fund and AVGC Venture Fund, etc.
- GoK-Mobile 10X Startup Hub in partnership with IAMAI.
- The State is a pioneer in setting up the first Startup Warehouse in 2013 in collaboration with NASSCOM and has also set up the Bangalore Bio Innovation Centre (BBC).

Key Achievements/ Impact:
- Earmarked Fund of Funds ₹200 crore to invest across multiple sectors. Three Grand Challenges have been floated till now wherein three proposals have been selected for funding.
- The State in partnership with NAIN has in the first phase taken up nine colleges up in tier-2 cities and out of 90 projects that were selected 74 working prototypes were realised. Also, there were seven incorporations and two patents awarded.
- 40 ideas have been funded across different sectors with funding of ₹14 crore.

Background:
Karnataka has been contributing to the growth of Information Technology, Electronics manufacturing, Biotechnology, Animation and other knowledge-based industry in the country owing to the conducive ecosystem for entrepreneurship and startups in the state. The state has more than 4,000 startups set up in Bengaluru. In the Global Startup Ecosystem Ranking, Bengaluru, at rank 15, is the only Asian city apart from Singapore to figure in the top 20 list and is world’s 2nd fastest growing startup ecosystem.

Approach Adopted:
The Karnataka Startup Policy 2015-2020 is the 1st multi-sector Startup Policy, constituting initiatives and mechanism for further strengthening innovation ecosystem in the state. The policy recognises the importance of promoting startups and the need to give necessary impetus to entrepreneurship early in the day. It aims to:
- Stimulate growth of 20,000 technology startups including 6,000 product startups by 2020.
- Generate 6 lakh direct and 12 lakh indirect jobs in the sector.
- Mobilise ₹2000 crore fund for investment in startups through Government intervention alone by leveraging the Fund of Funds proposed to be put in place by the State Government.
- Facilitate generation of at least 25 innovative technology solutions with social impact in areas like healthcare, food security, clean environment and education.

The State also allows self-certification by registered startups under various Labour and Environment laws

Enablement:
Startup Cell: The Government of Karnataka has established a dedicated Startup Cell which aims to interact with Startups and facilitate smooth implementation of the Startup Policy and act as one-stop-shop for information on Regulatory Environment, Incentives and events. Once the startup is registered with Startup Cell, a dedicated relationship manager provides handholding to startup by making it aware of all the benefits available under Startup Policy and other schemes of the state, such as incubation, funding, incentives, connecting with mentors and marketing platforms etc.

Open House: The Minister of IT & BT chairs an Open House conducted every month to engage member of Startup Community on various aspects, like policy, startup infrastructure, benefits and incentives for feedback and resolve issues, if any.

Startup Council: In addition to these, a Startup Council has been set up under the chairmanship of the Chief Minister of Karnataka with representatives from various sectors and senior officers of Government as member for an annual appraisal of the implementation of the policy.
Recognition and mentoring of startups largely depends upon incubators. Innovation hubs, tinkering labs and research parks can be setup by leveraging educational institutes within states.

The Government of Gujarat supported the development of iCreate5 - a technology business incubator working with a vision to support large number of quality entrepreneurs. Another such incubator, Centre for Innovation Incubation and Entrepreneurship (CIIE) at IIM Ahmedabad is actively supported by the State Government.
Karnataka’s Innovation Ecosystem

- **4000+** No. of start-ups in Bengaluru
- **$3.3 mn** Average valuation of startups in the state
- **1st** State to announce multi-sector startup policy
- **#15** Bengaluru ranked among world’s top 15 startup ecosystems
- **2nd** Fastest growing start-up ecosystem

Presence of prominent players

Funding Initiatives
Multiple Opportunities for Startups

1. **Semiconductor Venture Fund**
   - Fund size of ₹100 crore
   - ₹20 crore disbursed
   - ₹20 crore under consideration
   - Fund size of ₹50 crore
   - Registered with SEBI
   - Disbursement will start shortly

2. **Bio Venture Fund**
   - Fund size of ₹20 crore
   - Registration with SEBI under progress

3. **AVGC Venture Fund**
   - Fund of funds for ₹200 crore for investment in various daughter funds
   - Reimbursement for patents, marketing expenses, VAT/CST for startups and incubators, Service tax

4. **Other Funds and Incentives**

Presentation by the State
Govt. of Karnataka Supported Incubators

**GoK - Start-up Warehouse at NASSCOM**
- 55 Startups Incubated
- 350 Seats
- 36,000 sq. ft. built-up area

**GoK - Mobile 10X Accelerator at IAMAI**
- 22 Startups Incubated
- 100 Seats
- 10,000 sq. ft. built-up area

**PPP – 91SpringBoard Incubator**
- 32 Startups Incubated
- 150 Seats
- 15,000 sq. ft. built-up area

**GoK - GoI - NASSCOM IoT CoE**
- 8 Startups Incubated
- 15 Seats
- 8,000 sq. ft. built-up area

Partnership with Academia through NAIN

Encouraging Innovation and Entrepreneurship

- **Financial assistance** to selected ideas for prototype and incubation for one year
- **Mentor connect**, exposure visits, capacity building for domain specific technologies

- **50 NAINs** to be established in policy period; 9 colleges in 9 districts operational, **16 more colleges** being added across 10 districts

- **1st batch of 90** graduated in 2016 with 74 working prototypes, 7 incorporations, 2 patents; **2nd batch** incubated; **3rd batch** being mobilized

Presentation by the State
**Funding through Idea to PoC**

Providing early stage funding

1. Partnership with BBC, IoT CoE etc.
2. 40 ideas funded across different sectors - ₹4 crore
3. Convergence with Agriculture/Tourism/ S&T Departments etc. – special funds for sector-specific startups
4. Virtual incubation permitted

---

**Funding through Grand Challenges**

Channelizing Innovation for Social Impact

1. Call for Proposals
2. Selection for Initial Funding upto 5
3. Shortlisting and Presentations
4. Mandate Definition Meeting
5. Follow-on Funding for one Pilot Implementation

3 challenges floated, 3 proposals selected for initial funding in 1st challenge; Review of 2nd challenge completed; Review of 3rd challenge has begun

Presentation by the State