



Entrepreneurship Development

MP-11
Business Opportunity
Identification

Block

2

**Business Opportunities in Odisha and
Industrial Policy of the State**

Unit – 1

**Business Opportunities in the Context of Odisha and
Industrial Policy of the State**

Unit – 2

Business Incubation Centres

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Start-up Policy Framework and Incentives



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Unit – 1

Business Opportunities in the Context of Odisha and Industrial Policy of the State



Business Opportunities in the Context of Odisha and Industrial Policy of the State

Learning Objectives

After completion of the unit, you should be able to:

- Understand the different Business Opportunities in the State of Odisha.
- Describe the Role of Directorate of Industry.
- Explain the definition, Meaning and Implications of Industrial Policy
- Know the Industrial Policy of Odisha State

Structure

Introduction
Ease of Doing Business in Odisha
Directorate of Industry
Industrial Policy
General Industrial Policy Framework of Odisha
Policy Instruments
Financial and other support measures
Focus Sector for Five Years
Let's Sum-up
Key Terms
Self-Assessment Questions
Further Readings
Model Questions

Introduction

As you know the State of Odisha is committed to simplify the processes and expedite project approvals. Odisha has embarked on a mission to leverage technology to complement the governance framework. The approvals and clearances for the establishment and operations of the industries shall be through an on-line portal with minimum human interface. The State is a pioneer in implementing the “Ease of Doing Business” framework through a robust single window clearance mechanism. In fact, Odisha was one of the first States in India to constitute a Single Window Clearance System through legislation. As you know this system enables the investor to approach a single designated authority and seek all clearances and approvals to setup and operationalize an industry.

Odisha has always endeavoured to provide a hassle-free business environment to investors. A number of reforms have been carried out by the State government towards this end. Although these reforms and the related notifications are available in the public domain, a need was felt to compile the details and produce a document which can be referred to by the existing and potential investors. As you know the ease of doing business and the process for setting up an industry in Odisha, in a step-by-step manner, has been explained in this guide.

The guide explains the single window clearance system, process of starting an industry in Odisha, clearances/approvals required recommencement of an industry, process for renewal of licenses, inspection processes and grievance redressal mechanism. The novel reforms including the first-of-its kind technology-supported initiatives undertaken by the State Government to facilitate the investors have been highlighted in various sections of this document.

As you know the purpose is to serve as a guide to investors regarding the processes of registration, approvals, allotments and applications for setting up an industrial establishment in the State. Links to online systems and websites for various services provided by the relevant Departments are also provided. It is anticipated that this document shall work as a guide and reference covering key aspects that an investor needs to know about doing business in Odisha – from allotment of land to process of renewal of licenses.

Ease of Doing Business in Odisha

Odisha: Destination of Choice

As you know the modern State of Odisha was created on 1st April, 1936. With the advent of industrialization, the State has seen exponential growth in its economy. A stable political and economic climate has further bolstered the growth in the State. Odisha has attracted major share of the Foreign Direct Investment (FDI) into India in the past few years. Bhubaneswar, the capital city, has also been ranked as one of the easiest places to do business in the country (as per World Bank Report on Ease of Doing Business in India).

The State Government has recently promulgated the Industrial Policy 2015-16. The Policy is formulated to create a conducive environment through a regulatory framework to drive sustainable industrial growth in the State.

Intent

The Industrial Policy seeks to promote industrial development in the State to optimally use the existing resource base of the State. The strengths of the State in terms of locational advantages such as long coast line, strong manufacturing base of mother plants, excellent levels of support infrastructure and good governance are the pillars based on which the Policy has been prepared. The Policy has been formulated to support all forms of enterprises to boost investment and encourage ease of doing business in the State. As you know the new industrial units, existing industrial units and MSMEs will be eligible for incentives provided in this policy, subject to the conditions stipulated in the Policy.



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Infrastructure Development Plan

As you know the Industrial Policy focuses on employment generating industries and industrial infrastructure by providing appropriate incentives and onetime capital grants for infrastructure. The Policy promotes participation of user industries in the development and management of industrial estates and clusters with a focus on SME industries.

The Industrial Policy includes provision for quality infrastructure support, development of industrial estates, Special Economic Zones (SEZs),

National Investment and Manufacturing Zone (NIMZ), Ports and Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR).

The Policy provides impetus for development of industrial infrastructure through Public Private Partnership mode and development of social infrastructure to support the industrial growth.

The focus sectors of the State for next five years are as follows:

1. Auto and Auto components
2. Downstream and Ancillary Industries
3. Agro and Food Processing
4. IT and Electronic System Design & Manufacturing
5. Tourism
6. Manufacturing in Aviation and Maintenance, Repair & Overhaul (MRO) facilities
7. Pharmaceuticals
8. Handicrafts and textiles
9. Petroleum, Chemicals and Petrochemicals
10. Plastics and polymers

In addition to the Industrial Policy, the State has exclusive sector specific policies as below:

- a) Information & Communications Technology (ICT) Policy, 2014
- b) Odisha Tourism Policy, 2013
- c) Odisha MSME Development Policy, 2009
- d) Odisha Food Processing Policy, 2013

Furthermore, the State has recently promulgated a Policy for Special Economic Zones (SEZ) 2015, Odisha Fisheries Policy 2015 and a Special Incentive Package Scheme for ESDM sector.

Directorate of Industry

Under Micro, Small & Medium Enterprise department, Directorate of Industries & its field offices RIC & DIC looks after promoting of Micro, Small & Medium Enterprise in the state. Micro, Small & Medium Enterprise plays a key role in economically growth of the state by way of effective Employment & Revenue. Enterprises are welcomes to be part of the growth of the state.



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As you know the Directorate of Industries, Odisha functioning under the administrative control of Micro, Small & Medium Enterprises Department is responsible for industrial development in the State. It reaches out to 30 districts through 31 Regional / District Industries Centres (RICs / DICs). Industries Promotion Officers act as the foot-soldiers at the block / local body level. Recently Government have upgraded five post of General Managers Level I to Joint Director of Industries Level II who will be placed in five Regional DICs being created. At present there are 5 RICs and 12 Level I & 14 Level II DICs operating in the State.

Towards the objective of promotion of industrial activities and development, various schematic provisions are implemented by RICs / DICs under the supervision of Directorate of Industries. Besides, Directorate also supports MSME Department in policy matters.

Major Services

The Major Services are provided & monitor thorough its field offices for the benefit of entrepreneur.

- I. Facilitate acknowledgement facility of Entrepreneur Memorandum.
- II. Promotion of Micro, Small & Medium Enterprises.
- III. Administrations of various incentives under various Policies/Schemes.
- IV. Holding of PLAC & PLCC meeting & promotion of Ancillary & Downstream Enterprises.
- V. Promotion & Development of Clusters.
- VI. Implementation of self employment schemes.
- VII. Organising exhibition fairs & Publicity.
- VIII. Grievance redressal of enterprises.

RIC/DIC

Motivation & training of youth for setting of MSME

Identification of entrepreneurs and acknowledgment to their expression of interest (EM I)

Collating the data on enterprises those started production

Encoding & acknowledging enterprises in operation (EM II)

Implementation of Prime Minister's Employment Generation Programme (PMEGP)

Extending support to enterprises including administration of incentives

Facilitating industries related clearances through Single window system as District Level Nodal Agency



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Implementation of cluster specific development programme with support from government

Implementation of programmes under National Mission on Food Processing at district level

Convening Plant Level Consultative Committee / Plant Level Advisory Committee for development ancillary & downstream enterprises

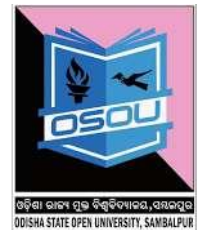
Implementation of Coir, Salt and Khadi & Village Industries development schemes in potential districts

Supporting Financial Institutions to identify sick enterprises Managing Panchayat Samiti Industries

To arrange EDP training.

To arrange exhibition, fair and publicity and visit of industrialists to Trade Fairs and different Industrial Estates of other States

To solve the problems of the industrial units at the district level.



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Industrial Policy

The industrial policy of a country, sometimes denoted IP, is its official strategic effort to encourage the development and growth of part or all of the manufacturing sector as well as other sectors of the economy. The government takes measures "aimed at improving the competitiveness and capabilities of domestic firms and promoting structural transformation. As you know a country's infrastructure (transportation, telecommunications and energy industry) is a major part of the manufacturing sector that often has a key role in IP.

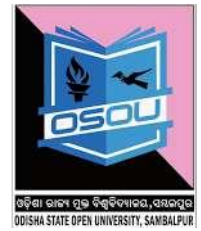
Industrial policies are sector-specific, unlike broader macroeconomic policies. Examples of the latter, which are horizontal, economy wide policies, are tightening credit and taxing capital gains, while examples of industrial policy, which involves vertical, sector-specific policies, include protecting textiles from imports and subsidizing export industries. Industrial policies are interventionist measures typical of mixed economy countries.

Many types of industrial policies contain common elements with other types of interventionist practices such as trade policy and fiscal policy. An example of a typical industrial policy is import-substitution-industrialization (ISI), where trade barriers are temporarily imposed on some key sectors, such as manufacturing. By selectively protecting certain industries, these industries are given time to learn (learning by doing) and upgrade. Once competitive enough, these restrictions are lifted to expose the selected industries to the international market.

Importance of Industrialization

Industrialisation is the first and foremost requirement of rapid economic development of a country. The industrialisation is not only helpful in the

development of industries but it also promotes agriculture, trade, transport, foreign trade, services and social sectors of the economy. It increases employment opportunities, national income, per capita income and living standard of the populace. Therefore, an industrial policy is required to establish healthy traditions of industrialisation and to guide, regulate and control (if required) industrial development. As you know the industrial policy of a country is influenced by the ideology and principles of the concerned government. The industrial policy helps the country making it self-sufficient and prosperous by preparing a structure and basis of industrial development. Hence, the industrial policy of the govt. must be well defined, clear and progressive. Moreover, it should be adhered to and implemented earnestly.



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Meaning of Industrial Policy

The industrial policy refers to such formal declaration by the government through which general policies for industries adopted by the govt. are made public. Any industrial policy may have mainly two parts first, the ideology of the govt. which determines the nature of industrialisation, and second, the governing rules and principles which provide a certain framework behind existing ideology. Thus, industrial policy is a comprehensive concept which provides guidance and outlines of the policy for establishment and working of industries.

Need, Objectives and Importance of Industrial Policy

The need, objectives and importance of an industrial policy can be explained through following points:

Deployment of Natural Resources

The industrial policy helps in full deployment of natural resources of the country. It helps in identifying, collecting and using resources properly. It facilitates increase in national income of the country.

To Augment Industrial Production

The main objective of the industrial policy is to augment industrial production of the country. It provides an impetus to rapid development of industries and industrial growth.

Modernisation

The industrial policy encourages modernisation for increasing industrial output and productivity. It envisages the use of modern and latest production techniques in industrial sector. It facilitates maximum output at minimum cost of production. **Balanced Industrial Development** The industrial policy envisages balanced

industrial development of the country. It also facilitates balanced development of various sectors of the economy.

Balanced Regional Development

The industrial policy helps in balanced regional development of the country. The industrial policy may contain provisions regarding providing facilities or concessions for rapid development of industrially backward areas/regions of the country.

Coordination between Basic and Consumer Industries

The balanced development of basic and consumer industries is essential for economic growth. The industrial policy encourages development of basic and key industries on the one hand, while attention is paid to the development of consumer industries also on the other. Thus, by balanced and coordinated development of both type of industries it provides a pace to economic growth.

Coordination between Small Scale and Large Scale Industries

The industrial policy plays a vital role in coordinated development of small scale or cottage industries and large scale industries. These industries can be made mutually helpful to each other through the provisions of industrial policy.

Area Determination

The industrial policy determines the area of operation under public and private sector. Proper direction can be shown to private sector through the country's industrial policy.

Cordial Industrial Relations

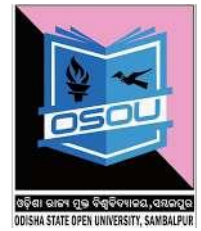
A comprehensive industrial policy is needed to establish cordial relations between workers and management. Cordial industrial relations are essential for rapid and sustainable industrialisation.

Proper Utilisation of Foreign Assistance/investment

An appropriate industrial policy envisages to attract foreign capital and entrepreneurs. It helps rapid industrial development of the country; A well thought of industrial policy checks the demerits of "foreign assistance. The foreign aid can be used in the national interest if an appropriate industrial policy is pursued by the country.

General Policy Framework of Odisha

Transforming Orissa into a vibrant Industrial State as you know it remains an important goal in the beginning of the new millennium.



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With its abundance of mineral resources, long coastline and inlandwaters, the bio-diversity of its forests and a rich cultural heritage, Orissaought to become a privileged destination for industrial investment.

The economic reforms and the liberalization process initiated in 1991provide an important opportunity to the State to leverage the naturalresources to attract investment, both domestic and international.

The super cyclone in October 1999 caused widespread damage to allsectors of the State’s economy, including industry. Reconstruction ofthe shattered industrial economy poses a major challenge to theGovernment as well as the civic society.

The recent “White Paper on Orissa State Finances” (Brought out byFinance Department, Government of Orissa, on 29th March, 2016)highlights the difficult situation of the public budget and sets clear limitson the future availability of financial incentives to spur industrial growth.

At the same time, the combined forces of economic globalization andgovernance-decentralization, pose new challenges to the policy-makersand call for a profound redefinition of the way, Government caneffectively support business.

Against this backdrop it has become necessary to

- Win the trust of the industry by demonstrating the commitment of the Government to attract investors;
- Create a positive perception of the State as a desired destination for industrial investment;
- Take a fresh look at the existing policy to
 - Further build upon existing strengths, and eliminate weaknesses;
 - Redefine the objectives and priorities;
 - Establish a mechanism to ensure effective and timely implementation of the policy.

Definitions and Interpretations

For the purpose of this Industrial Policy Resolution, the various terms shall have the meanings assigned to them hereunder:

“BIFR” means the Board for Industrial and Financial Reconstruction.

“Earlier IPR” means the Industrial Policy Resolution 1992 and/or the Industrial Policy 1996, as the case may be.

“Effective Date” means the date on and from which the provisions of this IPR shall be operative.

“Entry Tax” means the Tax payable under Orissa Entry Tax Act, 1999.



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“Existing Industrial Unit” means an industrial unit where fixed capital investment has commenced before the effective date.

“Fast track project” means projects having a project cost of Rs.100 crores and above

“Finished Goods” means goods exclusively manufactured by the industrial unit and includes by-products, scrap, defective products either sold as such or as seconds /scrap /waste etc. which also come out as a result of its normal manufacturing activity /process.

“Fixed Capital Investment” means investment in land, building, plant and machinery and other equipment of permanent nature.

“Infrastructure Project” means any project for the creation and modernization of Special Economic Zones; roads, bridges & culverts, railway lines, power plants, electric substations and transmission lines, water supply and storage facilities undertaken predominantly for use by industrial units, ports, airports, container terminals, bonded warehouses, satellite townships around industrial centres, film cities, film studios, transport and telecommunication facilities, common effluent treatment plants, tool rooms, R&D Institutes, Technology Laboratories / Centres, Quality testing labs / centres, exhibition and conference centres, industrial townships, industrial estates, entertainment parks, Golf courses and other tourism-related infrastructure and social infrastructure such as schools, technical & management institutes and hospitals, subject to eligibility criteria to be notified later.

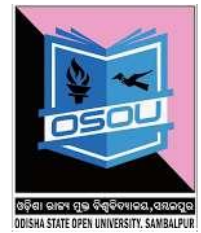
“Industrial Unit” means any industrial undertaking located inside the State and engaged in any manufacturing or servicing activity as detailed in the Schedule appended to this policy.

“Large, Medium and Small Scale Industry” means an industrial unit defined by the Government of India from time to time.

“Local SSI Unit” means SSI unit situated in the State of Orissa

“Modernization“ and/or “technological up gradation” of an existing or new industrial unit means additional investment to the extent of 33% or more of the undepreciated book value of plant and machinery of an existing or new unit, made in acquisition of plant and machinery and technical knowhow for such modernization or technology up gradation under modernization schemes of SIDBI, NCDC, NSIC, OSFC, IPICOL, Cooperative Banks, Commercial Banks and Statutory Financial Institutions.

“New Industrial Unit” means an industrial unit where fixed capital investment has commenced on or after the effective date and which goes into commercial production within 3 years for SSI, 5 years for medium and large industries, 6 years for mega industries with an investment of more than Rs. 500 crore from the date of starting first fixed capital investment:



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Provided further that an industrial unit which has started fixed capital investment before the effective date and not covered under the F.D Notification No. 7355-CTA-5/99-F dated 17.2.2000 & No. 7352-CTA-5/99-F dated 17.2.2000 will have the option to be treated as a new industrial unit under IPR-2001.

Provided also that such option shall be exercised in the prescribed form to the designated authority within 180 days from the effective date and once the option is exercised, it shall be final and irrevocable.

Provided also that an industrial unit opting to be treated, as a new industrial unit will be required to surrender and/or refund the incentives availed, if any, under any earlier IPR.

“IDCO” means the Industrial-Infrastructure Development Corporation.

“IPICOL” means the Industrial Promotion and Investment Corporation of Orissa Limited.

“NCDC” means the National Co-operative Development Corporation.

“NSIC” means the National Small Industries Corporation.

“OERC” means the Orissa Electricity Regulatory Commission.

“OFDC” means the Orissa Film Development Corporation Ltd.

“OSEDC” means the Orissa State Electronics Development Corporation.

“OSFC” means the Orissa State Financial Corporation.

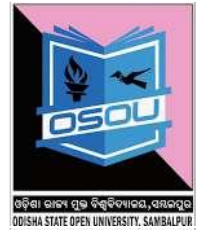
“OSIC” means the Orissa Small Industries Corporation.

“SIDBI” means the Small Industrial Development Bank of India.

“Priority Sectors” means -Industrial units in the following categories without any stipulation regarding minimum project cost:-

- (i) Electronics, telecommunication, information technology and IT enabled service;
- (ii) Agro and marine-based industries;
- (iii) Bio-technology related;
- (iv) Craft related;
- (v) Tourism related;
- (vi) Mineral based industries including gem cutting and polishing;
- (vii) Fly ash based industries utilizing a minimum of 25% by weight of fly ash as base raw material;

Note- Government may, by notification, add or delete from time to time the types of industrial activities which will come within the category of priority sectors.



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“Raw Material” means materials required by the unit that will directly go into the composition of its finished products.

“Sales Tax” means ‘Sales Tax’ (State and Central) and purchase tax payable to Government of Orissa under the Orissa Sales Tax Act, 1947 and Central Sales Tax Act, 1956 and shall include sales tax imposed on contracts.

“Transferred Unit” means an industrial unit whose ownership or management has been transferred in pursuance of the provisions of the State Financial Corporations Act, 1951 or SIDBI Act, 1989 or transferred with the approval of OSFC or IPICOL or SIDBI.

“Year” for the purpose of incentives means a period of 365 consecutive days.

“IDCO land” means land allotted to and land acquired by IDCO.

POLICY INSTRUMENTS

GENERAL POLICY:

Deregulation and simplification of rules and procedures, rationalization of labour laws, facilitation of industrial restructuring and accelerated development of physical and social infrastructure through public-private partnership will enable a conducive business climate for attracting investments and establishment of competitive industry. Medium / Large / Mega industrial projects :

Actively encourage investment in large industrial units, which, the Government acknowledges, have the potential to be the nuclei for further industrial and economic development. For these “fast track projects”, clearances will be hastened eliminating the factors causing delay and facilitating timely implementation of such projects. SSI / Tiny Sector

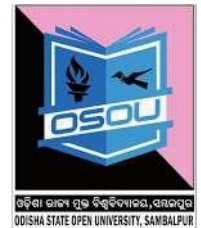
All efforts will be made to encourage and ensure growth of small-scale industries sector, in particular, through cluster development approach.

Back-ended financial support for SSI units in priority Sector, by way of grant of interest subsidy.

Market support through preference in government procurement as detailed elsewhere in this IPR, to the SSI/Tiny sector with emphasis on competitiveness based on quality.

SINGLE WINDOW CLEARANCES: -

Expedient clearance of proposals is of prime importance to the promoters of industries. Therefore, “Single Window” concept will be implemented for: Faster and one - point project clearance; Single point dissemination of project related information to help the prospective entrepreneurs take expeditious investment decisions; The contact points--- “SHILPA JYOTI” in IPICOL for Medium & Large Projects and “SILPA SATHI” in the Directorate of Industries and DICs for tiny and small units--- will be created for the above purpose. Escort services, if



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needed, will be provided by these contact points for interaction with various agencies and authorities.

Composite application forms along with statutory fees for all clearances connected with the proposal will be received by “ShilpaJyoti” or “ShilpaSathi”, which will facilitate required clearances from the concerned Departments or the authorities of the State Government and other agencies.

All clearances within the purview of the State Government, required for establishment of industrial units, will be accorded within specified timeframes. The deficiencies in application and additional information, if any, required from the applicant (the industrial unit) should be pointed out by the concerned authority within a specified time-frame failing which the application would be deemed to be complete.

In the absence of timely communication regarding the proposal from the respective Department or the Organisation, a mechanism of ‘deemed clearance’ will be put in place. Such clearance will be communicated to the applicant by the Single Window contact points.

In respect of clearances coming within the purview of the Central Government / Central Agencies, the State Government and the single window contact points would render all support and assistance by forwarding its recommendations to the respective Central Government Agencies, within specified time frames.

The Industries Department will bring out a comprehensive operational manual containing required forms, procedures and timeframes after promulgation of the IPR indicating the date when Single Window system takes effect. It will be possible to access this information online.

SINGLE WINDOW INFORMATION: -

Ready availability of key information about prospective locations of industry is a sine qua non for taking investment decisions. Comprehensive brochures containing all the key information about geophysical conditions, availability of land, physical and social infrastructure etc. of different locations will be prepared and made available to prospective investors through the “ShilpaJyoti” and “ShilpaSathi”. The effort would be to provide at one-source answers to all the queries that an entrepreneur or investor may have, about the location.

Apart from location-specific information for clusters of industrial units, industry or activity specific information with recommended locations will also be prepared and made available to the prospective investors.

A data bank containing information on possible projects, locations, resources etc. will be created by March 2002 for use of prospective investors. Such information will be made available online.

CLEARANCE FOR FAST TRACK PROJECTS:-

An Industrial and Infrastructural Advisory Board under the Chairmanship of the Chief minister and prominent industrialists and senior officers of the Government



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as members will advise the Government to ensure taking timely and effective steps for rapid and sustainable industrialization of the State. The Minister, Industries, would be the Vice-Chairman of the Board.

The Board shall meet at least twice a year to review, and give advice on various issues pertaining to industrialization. Industrial and Infrastructural Advisory committee (IIAC) under the Chairmanship of the Chief Secretary will process clearance to fast track projects as well as all other industrial projects needing interdepartmental references. This committee will meet frequently for this purpose. On approval of the Chief Minister, the decisions of IIAC will not require further clearance from any other Department / Agency under the State Government.

INFRASTRUCTURE

The State Government accords top priority to development of physical and social infrastructure through public-private partnership. In particular -The State Government will pursue an active policy of encouraging establishment and maintenance of Industrial Parks and Industrial Estates by the private sector in the growth centers already identified and in other areas.

The Government will seek and facilitate private investment in physical infrastructure such as power, telecom, roads, railway, ports, airports, logistics, water, R&D Centers, Quality and testing labs, Technology labs and other infrastructure projects.

The Government will adopt a policy of constructive partnership with private sector for establishment of social infrastructure viz., good schools and colleges, institutions for technical and professional training, hospitals, housing, hotels and restaurants, sports complexes and recreation centres.

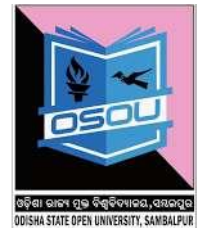
STRATEGY:

The State Government will introduce a "Land Bank" scheme. Tracts of Government land will be identified by IDCO in consultation with Collectors in potential locations throughout the State and earmarked for industries.

These tracts will be exclusively reserved for location of industries. Concerned Revenue Authorities will make Land from the 'Land Bank' available to IDCO and entrepreneurs to establish industrial and infrastructure project.

The State Government will encourage formulation of an Infrastructure Policy and establish a legal framework for private participation in infrastructure projects.

Special Economic Zones, in accordance with new policy initiatives of the Central Government already in place, would be developed leveraging such location advantages of Orissa having long coastline and proximity to South East Asia. Private investments will be encouraged for development of these Zones with world class infrastructure with full support from the Government in order to attract large investments, particularly FDI, in manufacturing and service sectors for export production. Special dispensations for easing regulatory burden will be provided for these zones.



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TECHNOLOGY UPGRADATION: -

The State Government accords priority on up-gradation of technology by industrial units. Encouragement will be given to get accreditation with International Quality, Testing Agencies so as to make them internationally competitive. Government of India/SIDBI/FIIs schemes on Technology Upgradation will be actively pursued and promoted. The Technology Cell (TBIIP) set up in OSFC with the help of UNIDO will be strengthened. Venture Capital fund of SIDBI/OSFC/IPICOL will be available for promotion of I.T. units.

HUMAN RESOURCE DEVELOPMENT:-

The State Government would formulate a Policy for Technical Education in the private sector to facilitate the establishment of new technical institutions of good quality and standard in the private sector. New Engineering Colleges and Medical Colleges will be permitted in the private sector in selected locations.

A Technical University will be established in the State at the earliest. Steps would be taken to ensure close co-operation and co-ordination between industries and technical/training institutions so that a trainee gets education in conformity with the needs of the industries.

Entrepreneur training programs will be taken up. The policy also promotes training institute of International repute to be set up by large industry houses in areas like IT, BT etc. Employment oriented training scheme will be introduced in ITIs and Engineering Schools /Polytechnics.

INVESTMENT PROMOTION:-

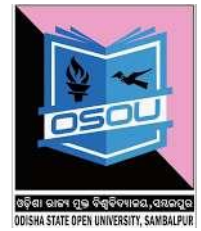
The government will welcome investments in domestic and Foreign Direct Investment (FDI) in all areas of industry and infrastructure. For this purpose, it will work closely with the Government of India and the Industry and business associations.

In order to facilitate timely implementation of FDI Projects and address the concerns of the foreign investors, a Foreign Investors Forum (FIF) would be created under the chairmanship of the Chief Minister. The FIF will work in close association with Foreign Investment Implementation Authority (FIIA) of the Government of India and the issues of F.I.F. will be placed in the I.I.A.B. as separate agenda..

A dedicated and duly equipped secretariat with experts from all promotional agencies will provide coordination and other services and information to Industrial Infrastructure Advisory Board and Foreign Investors Forum.

The Secretariat will, in association with industry and business, also undertake specific investment promotion events in India and abroad under the guidance of IIAC. Special Secretary/Additional Secretary of Industries Department shall co-ordinate with other Departments of Government and provides initial escort services for selected industrial units.

The Orissa Investment Centre will be set up in New Delhi under the Resident Commissioner to provide information, initial escort services and first stage



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facilitation to all industrialists, NRIs and investors from outside the State. They will provide the required information to the investors interested in investing in the State and also pursue with various Ministries of Government of India for clearance(s).

PRIORITY SECTORS: -

In addition to financial concessions provided in this policy, efforts will be made to prepare competitive profiles of priority industries in the State, so as to identify opportunities and constraints in detail. These will be addressed in sector-specific policies, if needed.

Some sectors already have separate policies, which will be updated taking into account new information and realities.

FINANCIAL AND OTHER SUPPORT MEASURES:

-ELIGIBILITY:

New and existing industrial units shall be eligible for incentives provided in this policy, subject to the general conditions and specific conditions stipulated.

Industrial units, hotels, cinema halls etc. covered under earlier Industrial Policy Resolutions shall continue to enjoy the incentives admissible under the said policy except to the extent abridged or modified or enlarged in this policy. Existing industrial units, which take up modernization will be eligible for specific incentives as mentioned. However, defaulters of Banks, SIDBI, OSFC, IPICOL and Government / Government controlled agencies will be eligible for such incentives only after they clear the dues.

GENERAL PROVISIONS

Implementation of various provisions covering the incentives, concessions, etc. will be subject to the issue of detailed guidelines/statutory notifications, wherever necessary, in respect of each item by the concerned administrative Department.

An industrial unit, which considers itself eligible for any incentives shall apply in accordance with the operational guidelines and instructions set out in the Manual to be brought out and the same shall be considered and disposed of on merit.

Time frame for filing applications for different incentives -

A unit shall forfeit its entitlement to the grant of incentives if it does not file its claim complete in all respects, within 6 (six) months of its starting commercial production. The power to condone the delay not exceeding six months in submission of the above claim, shall vest with the Director of Industries, Orissa, while Secretary, Industries shall be competent to condone the delay exceeding six months and maximum up to one year in that context.

Determination of date of commercial production -

The date of commercial production for availing of incentives on sale tax or for any other incentive, shall be the date determined by the "ShilpaSathi" for Small Scale Industrial Units and the "ShilpaJyoti" for the medium and large industrial



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units, basing on the totality of documentary evidence and recommendation of promotional or financial agencies, if any.

Transferred Units

(i) A transferred unit after going into commercial production shall be eligible to avail of all or any of the incentives for the period for which the unit was eligible before transfer but could not avail of the same due to suspension of production or closure on account of sickness or for any other reason.

(ii) Any industrial unit seized under Section 29 of the State Financial Corporation Act, 1951 and thereafter sold to a new entrepreneur shall be treated as a new industrial unit for the purpose of sales tax concessions only. Arrears of sales tax, entry tax, MV tax, EPF,

ESI and excise duty payable by previous owners shall not be realizable from the transferees of the transferred units under Section 29 of SFC Act. These, being public dues, shall be realizable from the previous owners under the Orissa Public Demand Recovery Act, 1962 or any other relevant Act.

Industrial Units set up without financial assistance from Financial Institutions and/or Banks will be required to be assessed by the appropriate nodal agency like IPICOL, OSFC, DIC and OSEDC etc. in order to be eligible for any of these incentives.

INTEREST SUBSIDY:

New small scale industrial units in priority sectors will be entitled to interest subsidy @ 5% per annum for a period of five years from the date of commercial production on term loans availed from recognised Financial Institutions/Banks.

Small Scale Industrial units (existing or new) which undertake modernisation will be eligible for interest subsidy @ 5% per annum for a period of five years from the date of completion of modernization on the term loans availed from the recognised Financial Institutions/Banks. This will be applicable to units where un-depreciated book value of the investment on plant & machinery before modernization is within the small-scale limit as prescribed.

The interest subsidy will be limited to Rs.20.00 lakhs in case of Small Scale Units and Rs.10.00 lakhs in case of tiny units. Provided that the amount of interest subsidy payable under the above two clauses will stand reduced to the extent, there is any interest subsidy payable under any other scheme of either the State Government or the Central Government or any financial institution such as SIDBI, NABARD etc. Further the effective interest rate after the administration of interest subsidy will be minimum 10% i.e. if the normal lending rate is 16% the effective lending rate after interest subsidy will be 11% and if the normal lending rate is 12% after interest subsidy the effective lending rate will be minimum 10% and in this case the interest subsidy will be limited to 2%. Provided further that the concerned promoter(s) would not have defaulted to OSFC / IPICOL / SIDBI / Banks / Recognised Financial Institutions / other Government agencies in connection with the unit for which the incentive is sought or for any other unit / activity with which concerned promoter is directly or indirectly associated.



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The industrial units established in the following Districts – Kalahandi, Nuapada, Bolangir, Sonepur, Koraput, Malkangiri, Rayagada, Gunupur, Gajapati and Deogarh will get additional interest subsidy @ 5% of the capital investment or Rs. 5.00 lakh whichever is less as an incentive for backward area development.

SALES TAX: -

In pursuance of the decision taken by all States and Union Territories regarding reforms in sales tax, Government have decided that no fresh sales tax incentives will be extended to industrial units in the State.

The State Government is committed to reforms in Sales Tax administration with the objective of switching over to the harmonized Value Added Tax (VAT) system effective from 1st of April 2016. VAT system will provide for a full set-off of 'tax paid on inputs for manufacturing' to ensure greater competitiveness of the local industries.

The industrial units enjoying or eligible for the benefits under IPR'89 and pre-89 IPRs will not get sales tax incentives after 31.7.99 as per F.D., S.R.O No.622/99 dated 30.7.99, S.R.O. No.623/99 dated 30.7.99, S.R.O No.624/99 dated 30.7.99 and S.R.O No. 625/99 dated 30.7.99. However, industrial units enjoying benefits under I.P.R'92 and I.P.R'96 as on 1.1.2000 will continue to get sales tax incentives for the period they are entitled under the respective policies.

Industrial units which are in pipeline as on the 1st January, 2016 shall entitle to the incentives under said notification with same terms and conditions as applicable to them, if they fulfil the following criteria as on the 1st January, 2016, namely -

- (i) Industrial unit which is registered under Orissa Sales Tax Act, 1947.
- (ii) Industrial unit which has been allotted land for the factory or the industrial unit which has acquired land or space for its operation.
- (iii) Industrial Unit which has applied for finance from regular Financial Institution.
- (iv) Industrial unit which will start commercial production before the 1st January, 2002.

Industrial units will be eligible for concessional rate of Central Sales Tax for Inter State sale to registered dealers as per Finance Department notifications issued from time to time.

Exemption of sales tax on finished products of khadi, village, cottage and handicraft industrial units. Finished products of all existing and new khadi, village, cottage and handicrafts industrial units will be exempted from sales tax when sold at sales outlets of authorized Cooperatives/Government agencies and agencies recognised by Khadi and Village Industries Commission/Board, Coir Board, Handicraft Corporation and DIC.

100% export oriented units will be allowed refund of OST on inputs and raw materials used for manufacture of good for export subject to proper proof of exports.



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Industries Department on the recommendation of Financial Institutions/Banks will declare sick units to be eligible for concessional rate of CST on merit of the case subject to concurrence of Finance Department.

PATENT REGISTRATION: -

Industrial units will be encouraged for filing patent of their research and State will provide assistance to entrepreneurs for Patent and Intellectual Property Right (IPR) provisions @ 50% of the expenditure up to maximum of Rs.5.00 lakh.

QUALITY CERTIFICATION: -High priority is being accorded by the State Government for improvement of quality of the industrial units and will be provided with

assistance for obtaining quality certification from B.I.S and other internationally recognized Institutions @ 50% of the expenditure up to maximum of Rs. 2.00 lakh.

LAND:

Government land earmarked for industry under the "Land Bank" scheme and other Government land wherever available will be allotted for industrial projects.

IDCO will be the competent authority in the matter of allotment of land for industrial and infrastructure projects including those needed for creating social infrastructure in designated Industrial Estates, Industrial areas, Industrial Parks, Growth Centres and also in respect of land transferred to it under the Land Bank Scheme. For the above purpose

IDCO will fix up the premium cost of land for different locations based on prevailing area rates and cost of acquisition including expenditure in relief and rehabilitation requirements, if any, for private land. Ground rent will be 1% of the premium cost of land. Development cost will be charged by IDCO separately based on the scope and extent of development undertaken.

Allotment of land by IDCO/State Government would be considered after verifying the antecedents of partners/proprietors of the new industrial units in respect of their past default, if any, in the matter of payment of premium on the land allotted on the earlier occasion.

Rate of Government land, other than IDCO land for industrial or infrastructure projects, will be as fixed by Revenue Department /Collectors or the General Administration Deptt. as the case may be.

New units and existing industrial units taking up modernization will be granted exemption under the provisions of clause (c) of section 73 of Orissa Land Reforms Act, 1960 from payment of premium, leviable under provisions of clause (c) of section 8(A) of the OLR Act, 1960, on production of eligibility certificate from the Director of Industries for large and medium industries and G.M., DIC, for small and tiny industries.

Tourism, Information Technology (IT) and Biotechnology related units as well as Technology Laboratories may be allowed in the urban areas irrespective of the



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earmarked use in the current master plan in operation. Similarly, Floor Area Ratio may also be relaxed.

The Industrial Estates, Industrial Areas, Industrial Parks, Growth Centres etc. shall be excluded from the tax regime of the Municipal and other local authorities for management by the local industries' associations, provided that the latter undertake to maintain the infrastructure of the industrial estates either directly or through other agencies by taking consent of H & U.D. Department to amend the concerned Act.

POWER

New industrial units with contract demand up to 100 KVA will be exempted from the payment of electricity duty for a period of 5 years from the date of availing power supply for commercial production.

A power plant generating power from non-conventional sources set up after the effective date shall be deemed to be a new industrial unit and will be entitled to all the incentives under this policy. These plants will not be liable to pay electricity duty.

Industries of seasonal nature like Sugar, Salt Industries etc. will be provided the facility of temporary surrender of a part of their connected/sanctioned load. This facility will be made available on the recommendation of the committee constituted for this purpose.

If any industrial unit sets up captive power plant, it will be allowed 3rd party sale if it has surplus power available, the unit will be free to sell its surplus power to GRIDCO or to any other industry requiring the same directly as per the guidelines prescribed by OERC.

Information Technology, Bio-technology and Tourism related activities (existing or new) which are treated as industrial activity will be entitled to have power at industrial and not commercial rate of tariff subject to OERC approval.

WATER:-

In case of drawal of water by a new industrial unit from any Government water source as defined in clause-6 (a) of Section-4 of the Orissa Irrigation (Amendment) Act, 1993 (Orissa Act 3 of 1994), water charge will be payable in the manner as indicated below:

- (i) At 50% of the rates prescribed for the purpose under the provisions of the Irrigation Act for a period of five years.
- (ii) Thereafter, at full prescribed rates.

In respect of water to be drawn by a new industrial unit from any existing Government controlled irrigation source, water charges at the prescribed rate will be payable from the date of commercial production as indicated below.

- (i) At 75% of the rate prescribed for the purpose for drawls of water from such Government controlled irrigation source for a period of three years.
- (ii) Thereafter at full prescribed rates:



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Provided that where an industrial unit makes financial contribution for creation/completion of the irrigation source, no water charge will be payable at the rates stipulated in sub-Para (i)& (ii) till full adjustment of the amount contributed by the industrial unit in question for creation/completion of the irrigation sources.



Focus Sector for Five Years

Auto and Auto Components

Automotive industry has universally emerged as an important driver in the economy. The State has identified Automobiles & Auto components as a priority sector, Government of Odisha intends to leverage the existing advantages of Odisha in raw material availability and proximity to large domestic markets to attract investments in auto industry.

The State shall identify and reserve the areas for development of auto parks in Odisha.

IDCO shall ensure that the auto parks will be provided with adequate connectivity to the expressway and freight corridors as well as ports.

Downstream and Ancillary Industries

Odisha contributes almost 20% of steel production capacity and 50% of aluminium production capacity in India.

In the last decades, the State has focused on value addition in the minerals sector. Consequently, Odisha is emerging as the mining, metal and manufacturing hub of the country. Investment in this sector has created vast opportunities for ancillary and downstream industries in the Micro, Small and Medium sectors in the State.

Government of Odisha has also been promoting downstream and ancillary industries as priority sector. Ancillary and Downstream policy would be announced to assist orderly and sustainable growth of MSMEs in the identified sectors.

The establishment of these parks shall enable maximum value addition within the State and generate high employment through promotion of Micro & Small Enterprises.

Agro and Food Processing

Odisha's diverse agro-climate condition features 10 agro-climatic zones and 8 major soil types which are favourable for production of different types of crops, vegetables, fruits and spices. It is the fourth largest vegetable producing State of India. The State also has a good base in the marine and seafood segment with a coast line of over 480 KM and is 9th largest fish producing State of India. It enjoys

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the location advantage of its proximity to Eastern and Southern India and connectivity to South East Asia through its sea ports.

There is vast untapped potential for food processing industry in the State as only a miniscule 0.7% of the total produce is processed currently. The National Food Processing Policy strives to achieve 25% from the current national average of 6% by 2025. In line with the national benchmark, the Odisha Food Processing Policy, 2013 aims to achieve 10% of food processing by 2017 and 25% by 2025 in the State.

To limit the wastage and increase value to farm produce, development of food processing enterprises and adequate post-harvest infrastructure especially storage and transportation facilities is necessary. The State has taken various initiatives to develop cold chain, storage, grading & sorting, segregation and packaging infrastructure for the farm and marine produce. To facilitate growth in this sector, the State is developing Food Parks at Malipara near Khurda and at Rayagada which will enhance the value addition within the State. More such food parks will be taken up in due course.

IT and ESDM

The State shall continue to accord priority to the IT,ITES and ESDM Sector in recognition of its potential for employment, exports and the spin off on the growth of services sector. The State will continue to facilitate development of Special Economic Zones/IT Parks/Cyber Parks/ Software Technology Park (STP) and Electronics Manufacturing Cluster (EMC) for Electronics, IT/ITES, Information & Communication and ESDM industry.

The State has taken initiatives in the recent past for facilitating and promoting development of IT and ITES and ESDM industries in the State including an Electronic Manufacturing Cluster (EMC) proposed to be set up on approximately 40 sq. km of land under the public-private partnership model in the Mouza-Andharua region near Bhubaneswar and Infocity-II which is being implemented on 600 acres of land at Janla on the outskirts of Bhubaneswar.

Tourism

Odisha offers excellent opportunities in the in-bound tourism sector. Along with ancient monuments, beaches, religious and Buddhist tourist attractions, State also has tourist destinations with hot springs, water-bodies, forest and wildlife.

In a bid to boost tourism, the State has taken initiatives to rope in private sector to develop hospitality infrastructure by developing luxury and budget accommodation including hotels in strategic tourist locations in Public Private Participation mode.



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The State intends to create an environment for planned and sustained development of tourism by developing and promoting tourist centres in the State. With the aim of increasing tourist traffic, the State will continue to participate in National and International Tourism Fairs, besides developing Puri and Chilika as Special Tourism Areas.

Manufacturing in Aviation Maintenance, Repair & Overhaul (MRO) facilities

The Aviation Infrastructure in the State of Odisha has total 19 airstrips and 16 helipads of which 12 airstrips are maintained by the State Government and 7 by other agencies. Government of Odisha aims to provide world class civil aviation infrastructure facilities and efficient, safe and reliable air services to meet the requirements of domestic and foreign trade and tourism and to meet connectivity requirements.

In order to promote alternative and sustainable air transportation options to travel domestically and internationally the Government of Odisha is in the process of formulating an incentive package for the sector.

The Government is taking various initiatives to improve the existing Airport infrastructure and flight connectivity within the State. The State plans to develop the infrastructure for Airports/ Airstrips in the interior areas of the State. However keeping in mind the huge requirement of funds for the development of airport infrastructure and the financial constraints coupled with other conflicting budgetary priorities of the government. It is also planned to develop airports/airstrips in PPP mode.

Pharma

Growth potential of the Pharma Sector in the country is immense and the State shall proactively develop this sector on a sustainable basis. Recognizing its potential, the State has declared the Pharma as a priority sector in the IPR.

The State has developed Cuttack-Bhubaneswar Pharmaceutical cluster to promote pharmaceutical sector. It comprises of a number of pharmaceutical units, including manufacturers of generic drugs. The State is also facilitating the establishment of an increasing number of educational institutions that offer B Pharma and M Pharma degrees.

Handicrafts and Textile

In the State handloom and handicraft sector provides massive employment opportunity to rural artisans. The State has a rich tradition of producing handloom products, hand woven textiles and handicraft items due to indigenous knowledge



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and skill imbibed over many generations of rural artisans who are known for their high quality of craftsmanship.

Odisha has a long tradition of textiles sector in power loom industry and large wealth of skilled man power. The state is blessed with high quality cotton which is growing at a CAGR of 14.9%. The identified thrust areas for value addition are the Reddy Made Garments (RMG) and apparel sector which have high potential of growth and create enormous employment.

Petroleum Chemicals and Petro-Chemicals

Petrochemical Industry has been one of the fastest growing sectors in the country and provides large scale employment opportunity. To promote investment in Petroleum, Chemicals & Petrochemical, the State has placed the sector in the list of priority sectors. Indian Oil Corporation Ltd. Is the anchor tenant for the approved Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) at Paradeep. The first Poly-propylene plant of IOCL is being established by 2017 for development of first phase of downstream industries.

Plastics and Polymers

The plastic and polymer industries in the country have witnessed a high rate of growth in last two decades. However, plastics industry of the State is yet to realize its full potential. The low level of per capita plastics consumption in India is indicative of the high growth potential of the sector. Most plastic industries in the State are in the MSME sector which has high employment potential. Government will encourage establishing plastic industries in cluster mode to reap advantage of economies of scale.

Let's Sum-up

If you are happy with a small company, then you will probably be well advised to make use of family funds, loans from friends and personal bank loans. This way, you retain the majority holding in the company, but significantly restrict your ability to grow. You should check whether “cheap” money is available anywhere else, like, for example, from state development funds. Start-ups sometimes have recourse to what are known as “business angels” – private investors and retired entrepreneurs who usually invest smaller amounts compared to venture capitalists, but with less demanding information requirements. They can also use their experience to help with non-strictly financial questions.

If, however, you want to expand quickly, you will generally need the help of venture capitalists, or similar types of investor. First, stop and think whether you really need as much capital as you think you do. A venture capitalist will want a significant share of your company – you may not even be able to keep the



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majority holding. However, professional investors are not generally interested in running the company, as long as you meet your targets.

Key Terms

“IDCO” means the Orissa Industrial Infrastructure Development Corporation.

“IPICOL” means the Industrial Promotion and Investment Corporation of Orissa Limited.

“NCDC” means the National Co-operative Development Corporation.

“NSIC” means the National Small Industries Corporation.

“OERC” means the Orissa Electricity Regulatory Commission.

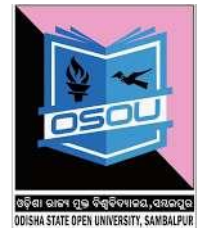
“OFDC” means the Orissa Film Development Corporation Ltd.

“OSEDG” means the Orissa State Electronics Development Corporation.

“OSFC” means the Orissa State Financial Corporation.

“OSIC” means the Orissa Small Industries Corporation.

“SIDBI” means the Small Industrial Development Bank of India



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Self-Assessment Questions

Q. What are the focus sectors of the Odisha State for next years?

Q. What is the meaning of Industrial Policy?

Q. What is Infrastructure Project?

Further Readings

Ease of *Doing Business in Odisha* – Compilation of Government by InvestOdisha

The Telegraph

Business Standard

Model Questions

1. What is Ease of Doing Business?
2. What is the role of IDCO in terms of business in Odisha?
3. What is the Directorate of Industry Sector and what are its functions?

Unit – 2 Business Incubation Centres

Learning Objectives

After completion of the unit, you should be able to understand:

- Explain the Introduction, Definition of Incubation Centre.
- Analyse the Role of Business Incubation Centres in Promoting Entrepreneurship – Factor Wise Analysis
- Identify the Role of Atal Incubation Centres
- Know the Incubation Centres in Odisha

Structure

Introduction

Definitions

Incubation Centre

Business Incubation Process

Role of Business Incubation Centre

Business Incubation Centres in Promoting Entrepreneurship – Factor Wise

Analysis

Atal Incubation Centre

Incubation Centres in Odisha

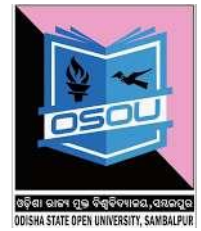
Let's Sum-up

Key Terms

Self-Assessment Questions

Further Readings

Model Questions



**Business
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2.1 Introduction

Business Incubation Centres have been receiving increasing attention as a tool to promote entrepreneurship, both in the developed and developing countries. They have become an integral part of the business assistance framework to offer critical support to newly formed enterprises. Recognizing its importance, all major stakeholders are trying to define, identify, measure, formulate and evaluate various aspects related to these programmes. Business incubation initiatives have arisen especially over the last decade with varying degrees of success in different parts of the world. Many countries including India are still experimenting with it to foster entrepreneurship. While the Indian Government is trying to aggressively promote entrepreneurship, the entrepreneurs continue to face numerous challenges and the new venture failure rate is very high. In view of this, the Business Incubation Centres have assumed a lot of significance as they provide an enabling environment to deal with the difficulties in the process of entrepreneurship by providing comprehensive and integrated support to the entrepreneurs, thereby

reducing the new venture failure rate substantially. These Centres provide start-up businesses with a variety of services such as physical space, office equipment, business services, management guidance and an enabling environment to facilitate their development until they are capable of surviving on their own after exit from the incubator. At the macro level, they regenerate public confidence in entrepreneurship and help create an entrepreneurial environment. Prior researches in other parts of the world have proved the benefits of a good incubation programme, but no comprehensive study has been carried out by scholars on the role of business incubation centres in promoting entrepreneurship in the Indian context. This chapter aims to fill this information gap and provide valuable insights on the efficacy of business incubation initiatives in the country.



Business Incubation Centres

A range of factors determining the extent and success of entrepreneurship have a local dimension: they are either strongly affected by local phenomena and/or they are best supported by initiatives conceived and implemented locally. Entrepreneurship can be locally fostered through business incubators. The role of business incubators is to accelerate the successful development of entrepreneurial companies through an array of business support resources and services, developed and managed by incubator management and offered both in the incubator and through its network of contacts. The main aim of the article is to present the role of incubators as a means of supporting the small and medium enterprises. The article is divided into three parts. In the first part is presented the core of incubators, incubator types and goals. In the second part is explained the role of business incubators in fostering local dimension of entrepreneurship. In third part of the article we describe the building of business incubators in Slovakia and their role as a means of helping to start entrepreneurship as well as of helping to support technologically oriented SMEs in Slovakia. The paper was elaborated as a part of VEGA project 1/0654/11, “Innovative small and medium enterprises as a part of knowledge based economy in Slovakia”

Business incubators began in the 1960s and really took off in the late 1990s as support for start-up companies who need advice and venture capital to get their ideas off the ground. Business incubators are programmes designed to accelerate the successful development of entrepreneurial companies through an array of business support resources and services, developed and managed by incubator management and offered both in the incubator and through its network of contacts. The main goal of a business incubator is to encourage the development of new business within the local community. By assisting a local entrepreneur to start a company in the area, the community is likely to benefit from an increase in the number of available jobs in the area and the additional revenue that is brought to the city or town as a result of the new business activities. Both elements can help to revitalize a local economy and thus enhance the quality of life for everyone who lives and works in the area. The main aim of the article is to present the role of incubators as a mean supporting the start-up small and medium-sized enterprises. The article is divided into three parts. In the first part is presented the

core of incubators, incubator types and goals. In the second part is explained the role of business incubators in fostering local dimension of entrepreneurship. In third part of the article we describe the building of business incubators in Slovakia and their role as a means to help to start the entrepreneurship as well as to help to support technologically oriented SME in Slovakia. The paper was elaborated as a part of VEGA project 1/0654/11, “Innovative small and medium enterprises as a part of knowledge based economy in Slovakia”.



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Definition

According to the EU Centre for Strategy & Evaluation Services: “A business incubator is an organization that accelerates and systematizes the process of creating successful enterprises by providing them with a comprehensive and integrated range of support”.

The UKBI (UK Business Incubation) definition states that: “Incubation is a unique and highly flexible combination of business development processes, infrastructure and people, designed to nurture and grow new and small businesses by supporting them through early stages of development and change”.

Finally, if we consider the NBIA (National Business Incubation Association), —business incubation is a business support process that accelerates the successful development of start-up by providing entrepreneurs with an array of targeted resources and services”.

A business incubator’s main goal is to produce successful firms that will leave the program financially viable and freestanding. These incubator graduates have the potential to create jobs, revitalize neighborhoods, commercialize new technologies, and strengthen local and national economies.

What is Incubation?

Incubation is a process which tends to be activated whenever there is a need to support entrepreneurs in developing their own business. The concept of innovation is not yet being considered as innovation and entrepreneurship are two separate phenomena, albeit intertwined to a great extent. The same definitions of entrepreneur vary within a range where at one extreme an entrepreneur is “anyone who is self-employed or in business”, and at the other an entrepreneur is “a person who pioneers change”.

The process, or parts of it, is put in place whenever there is a need of nurturing would-be entrepreneurs to think over and further develop the business idea and transforming it into a viable and sustainable activity.

There are three stages of incubation:

- Pre-Incubation
- Incubation
- Post-Incubation



Business Incubation Centres

Pre-incubation relates to the overall activities needed to support the potential entrepreneur in developing his business idea, business model and business plan, to boost the chances to arrive to an effective start-up creation. It usually implies a first assessment of the idea, training, and direct one- to-one assistance necessary to put the client in the conditions to write a fully complete business plan. University-affiliated incubators are usually pre-incubators.

Incubation concerns the support given to the entrepreneur from the start-up to the expansion phase. Typically this is a mid-term process, lasting usually for the first three years of activity of the newly established company, which are the years in which it is safe to say whether the new venture is successful and has a good chance to develop into a fully mature company. The actions activated generally are access to finance, direct coaching and mentoring services, as well as hosting services and specific training. Therefore physical incubation, although a very important service, is a subset of the overall incubation process.

Post-incubation relates to the activities to be carried out when the company has reached the maturity phase, and therefore is ready to walk on its own feet. It is the time when, if it has been physically incubated, the company will leave the incubator. Various services might still be needed by the SME for example to increment its sales or improve its productive processes, such as internationalization services or innovation introduction through scouting and detection activities. Incubators positioned as “post incubators” sometime rename themselves as “accelerators”.

What is an incubator?

An incubator is a place where the incubation activities are carried out, and where the would-be entrepreneurs and the existing SMEs find a suitable place, in terms of facilities and expertise, to address their needs and develop their business ideas, and transform them into sustainable realities.

Pre-incubators typically offer the services related to the pre-incubation phase of incubation. They offer the expertise (coaching and direct advice) and the facilities (minimum a workstation) to support potential entrepreneurs in the development of their business ideas and in the elaboration of the business plan.

Academic incubators are based in universities and research centres and provide support to those business ideas which either are elaborated by students or are spin-offs of R&D activities.

General purpose incubators provide all the set of services from the pre to the post incubation phase and provide the support to all those who have a feasible idea notwithstanding the provenance and the economic sector involved.

Sector-specific incubators provide all the set of services from the pre to the post incubation phase and provide the support to all those who have a feasible idea within a specific economic sector (e.g. environment, agro-food, chemicals, etc.), which is the expression of the real endogenous potential of the territory where the incubator is located. According to the specificities of the sector, these may require specific infrastructure to meet the needs of the client companies.

Enterprise hotels, while providing business services to the supported entrepreneurs, concentrate their effort mainly in physical incubation activities and are a common reality in large metropolitan areas, where production and office space represent an impending factor.



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The Business Incubation Process

It should be clear from this brief description that Business Incubation is a targeted approach providing a range of focused services on a relatively small number of businesses. In evaluating public policy the results achieved by incubation needs to be considered alongside that of other methods of delivering support services to new and existing enterprises.

All these alternative approaches have their place in the provision of direct support services to start-ups and SMEs. As well as for the direct service schemes, many of which might be supported by regional or local government as well as central government, Governments are also responsible for the design and operation of the legal and administrative environment that governs the performance of enterprise and encouragement of entrepreneurship. All the possible business support schemes outlined above, including business incubation, involve a degree of co-location and take place within the environment created for business growth so that their relative success is heavily influenced by the strengths and weaknesses that are present in this wider environment.

Objectives for business incubation and service mix;

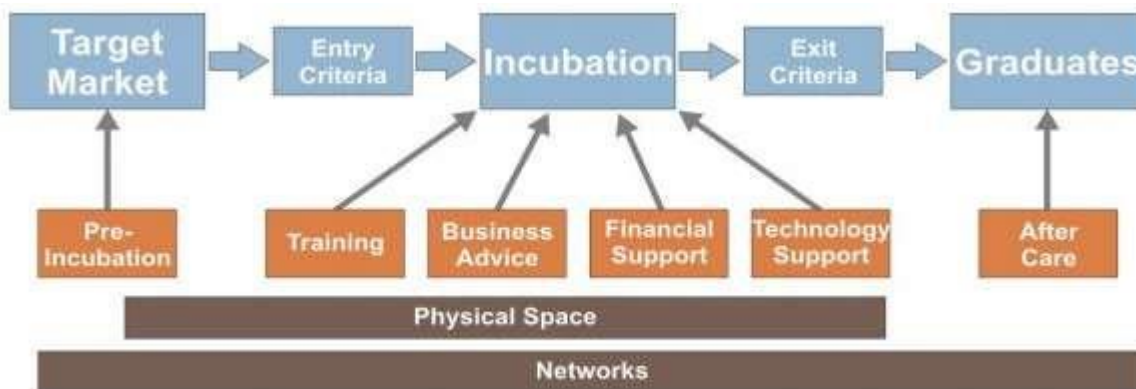
- Wider business environment;
- Funding strategies and sustainability;
- Ownership and management;
- Monitoring and appraisal.

Objectives and Strategic Planning for Business Incubation

In both developed and developing economies, small and medium enterprises (SMEs) are considered crucial to fostering economic and social development and their growth is supported with a wide range of policies.

The failure rate of small new businesses in their initial years is high in both developed and developing economies. In part this reflects the competitive environment within which the businesses are launched and also the effectiveness of the specific business idea. It is also a consequence of the lack of experience of the entrepreneur who is launching the business and deficiencies in the environment (i.e. shortage of capital, legal difficulties, lack of information, etc). A wide range of initiatives are supported by governments to try and reduce business failure rates through addressing problems in the environment (i.e. special loan funds, removing legal obstacles, reducing government administrative procedures and speeding up their operation) and by assisting new entrepreneurs to tackle their lack of experience (training programs, advisory and support services, etc).

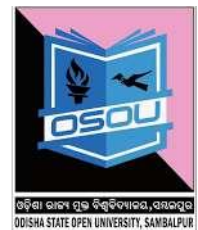
The diagram below provides an overview of a typical business incubation process:



Role of Business Incubation Centre

Business incubators aim to assist new entrepreneurs with business start-up. The business incubator helps to fill a void which is found in many areas. Not everyone is able to spend the time or money necessary to attend college and obtain a business administration degree. Further, not everyone has access to resources that can fund a new business effort until it becomes profitable. Incubator programs help to fill the gap by providing rudimentary training to entrepreneurs, a space to launch the business, and in some cases contacts between the new business owner with others who are in a position to invest in the future of the company.

The incubator cannot replace business initiative, personal effort and resourcefulness. There is a term used called “incubator syndrome” in which the entrepreneur allows their initiative and judgment to be replaced by those of the



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consultants in the centre. While the consultants may give superb advice, it is the entrepreneur's responsibility to make the business succeed.

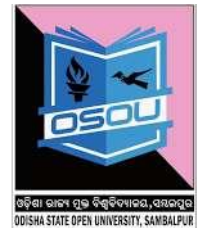
Incubators vary in the way they deliver their services, in their organizational structure, and in the types of clients they serve. Classical incubators are business incubators oriented towards giving support in starting the business through advice, lease of space, and the offer of the administrative infrastructure and other services.

Incubators differ from science and technology parks in their dedication to start-up and early-stage companies. Science and technology parks, on the other hand, tend to be large-scale projects that house everything from corporate, government or university labs to very small companies (both of them – science as well as technology parks – tend to be for established companies paying commercial rates). Most science and technology parks do not offer business assistance services, which is the core of a business incubation program. However, many science and technology parks house incubation programs.

Most common incubator services are: help with business basics, networking activities, marketing assistance, help with accounting and financial management, access to bank loans, loan funds and guarantee programs, access to angel investors or venture capital, help with presentation skills, links to higher education resources, links to strategic partners, help with comprehensive business training programs, advisory boards and mentors and technology commercialization assistance. Although most incubators offer their clients office space and shared administrative services, the heart of a true business incubation program are the services it provides to start-up companies.

Unlike many business assistance programs, business incubators do not serve any and all companies. Entrepreneurs who wish to enter a business incubation program must apply for admission. Each community sets criteria that applicants must meet in order to participate in the business incubator. Acceptance criteria vary from program to program, but in general only those with feasible business ideas and a workable business plan are admitted.

The amount of time a company spends in an incubation program can vary widely depending on a number of factors, including the type of business and the entrepreneur's level of business expertise. Firms with long research and development cycles require more time in an incubation program than manufacturing or service companies that can immediately produce and bring to market a product or service. Most businesses that use an incubator will stay there for up to a year, but by then should have grown sufficiently to move into their own facilities. Many incubation programs set graduation requirements by development benchmarks, such as company revenue or staffing levels, rather than time in the program.



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Business Incubators – Programmes Fostering Local Dimension of Entrepreneurship A range of factors determining the extent and success of entrepreneurship in a country have a local dimension: they are either strongly affected by local phenomena and/or they are best supported by initiatives conceived and implemented locally.

A trend devolving resources and decision-making power to regional and local levels has occurred since the late 1960s. As a result, local and regional governments in OECD countries have developed an array of enterprise development programmes with a variety of objectives and target groups. They include efforts to improve enterprise dynamics, particularly start-ups, by tapping into latent entrepreneurial ability, improving the regional business climate and facilitating collaborative behaviour.

Indeed, there are particular advantages in supporting entrepreneurship through local programmes: actions can be better tailored to the specific needs of an area and its businesses, and the involvement of a wider range of actors can bring a mix of competencies to this issue.

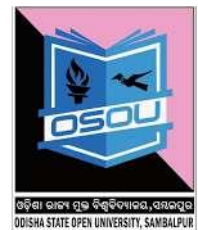
The fact that the extent and likely success of entrepreneurship is frequently tied to the local milieu demands creative policy thinking from both local and central governments. Indeed, a policy which fails to account for regional and local differences will likely be suboptimal.

David J. Storey (1994) identifies six significant influences on new firm formation which can vary from region to region. These six factors are:

- a) Demographics – regions with young populations tend to produce more firms, and rates of start-up are generally higher in urban than in rural environments,
- b) Unemployment – through different routes this can both encourage or diminish business start-up rates,
- c) Wealth – it is expected to produce in wealthier areas more business startup owing to higher levels of demand and greater availability of capital,
- d) the educational and occupational profile of the workforce – may have contradictory effects on business start-up, as persons with superior qualifications will more likely find employment but may also have superior means with which to create their own enterprise, e) the prevalence of small firms – it is argued that employees in small firms will aspire to own other small firms,
- f) The extent of owner-occupied housing – property is viewed as a frequent source of start-up capital for entrepreneurship.

The economic characteristics of the location in which the business incubator is established greatly affect its operation and its usefulness. Business incubators

should maximise synergies with the local business environment. The areas chosen as incubator sites should ideally provide access to markets for products or services (as small firms within an incubator stand to benefit from trade and networking with large companies outside), a degree of business expertise in the community, diverse financial resources, and local commitment to the incubator programme. In many countries the operation of many incubators is overseen by an advisory board comprising representatives of the local business community. Many cases confirm that prior to establishing a business incubator, it may be necessary to improve the local climate for entrepreneurship with the aim of encouraging demand for the services an incubator would provide. In this vein, a 1994 evaluation of science parks in the United Kingdom found that a critical issue was to increase the supply of high-tech firms.



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Business Incubation Centres in Promoting Entrepreneurship Factor Wise Analysis

This segment describes the results of the first part of the survey on the role of Business Incubation Centres in promoting entrepreneurship in terms of the various services provided to the Incubatees. In order to assess the role of business incubation centres in promoting entrepreneurship, we have analyzed 25 services which have been categorized into four groups: Physical Infrastructure, Business Assistance, Management Guidance and Consulting, and Enabling Environment services.

Physical Infrastructure Services

Most of the start up ventures require physical infrastructure facilities but typically cannot afford it since these facilities constitute a major expenditure and even finding them is a major challenge for new businesses. The business incubation centres assist the entrepreneurs in this regard by providing them with affordable and flexible workspace along with shared office services and equipment. Affordable means that the rent is usually charged at a rate below market rent and flexible means that the size of the space can be increased or decreased as per the need of the business. The rent can also be paid in instalments spreading over a period of time. Services related to building facilities such as conference rooms, cafeteria, building security and other amenities are also made available.

Business Assistance Services

Business assistance covers a wide range of functional areas such as technical, marketing, legal, human resource, product development, networking and finance. Previous research studies have shown that management problems, lack of business skills, under capitalization, and poor access to business network hamper survival rates among new ventures and this is where the business incubation centres play a key role by rendering business assistance services as a remedy to the various disadvantages faced by start up ventures. These services help

entrepreneurs' access capital, broaden information sources, lower business costs and time, capitalize on opportunities, shorten learning curve and access resources needed for business survival and growth.



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Management Guidance and Consulting services

Management guidance and consulting services include assistance in developing business plans, business counselling, help in conducting feasibility studies, and providing business ideas. Research studies have shown that the entrepreneurs not only need resources of equipment, space and money but also advice, information and reassurance. Start up ventures need a good business plan for securing capital and ensuring smooth flow of funds. Business advice is indispensable at each stage of business for faster problem solving and mentoring support enhances management ability and confidence. The business incubation centres deliver value to incubates through providing business plan development support, mentoring, management consulting, business advice and counseling services. It may, therefore, be deduced that the business incubation centres are making a significant contribution in promoting entrepreneurship by rendering management guidance and consulting services.

Enabling Environment services

Enabling environment refers to a synergistic environment created and maintained by the business incubation centres wherein the start up ventures save on operational costs and develop marketable products and services faster. Such an environment accelerates the development of new firms and minimizes their chances of failure. The business incubation centres make periodic assessment of the incubatees' satisfaction with incubator services and redress their grievances promptly.

This indicates that the business incubation centres have created an environment for tenant companies to learn from each other. They along with the incubatees realize the enabling environment services.

The Indian Business Incubation Centres are making a significant contribution in promoting entrepreneurship through the provision of Physical Infrastructure services, Management Guidance and Consulting services, and Enabling Environment services to the Incubatees during their period of incubation. The provision of Business Assistance services, however, is one area that needs to be pursued further in order to make it more effective for Incubatees and enhance its contribution to the promotion of entrepreneurship.

ATAL INCUBATION CENTRE

The Government of India has setup the Atal Innovation Mission (AIM) at NITI Aayog. The overarching purpose of this Mission is to promote a culture of

innovation and entrepreneurship in India. The Government realizes that there is a need to create high class incubation facilities across various parts of India with suitable physical infrastructure in terms of capital equipment and operating facilities, coupled with the availability of sectoral experts for mentoring the start-ups. Accordingly, AIM proposes to support establishment of Atal Incubation Centre (AICs) that would support innovators and start-up businesses in their pursuit to become successful entrepreneurs. The scheme would be known as Atal Incubation Centre scheme.



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Objectives

The objective of the scheme is to promote and establish incubation centres¹ in India which would support and encourage start-ups in specific subjects/sectors such as manufacturing, transport, energy, health, education, agriculture, water and sanitation etc. and would provide them with necessary infrastructure facilities and other value added services. The scheme would also focus on establishment of AICs in underserved and unserved areas to support inclusive growth.

Features of the Scheme:

AICs can be established either in Public funded institutions or Private sector funded institutions or in Public Private Partnership (PPP) mode. 3.2 Academic/R&D Institutes and others like Technology/ Industrial Parks or Companies as well as individuals or a group of individuals (hereinafter referred to as “Applicant”) would be eligible to apply. AICs can also be established either individually by one of the applicants mentioned above or in collaboration with each other. 3.3 The AICs would be setup as a Special Purpose Vehicle (SPV) as a „not for profit“ section 8 company or as a Society/Trust. AICs can also be established as a „for profit company“ under the Companies Act 2013.

Funding Support:

The applicant would be provided financial support in the form of Grant-in-aid for a maximum of 5 years. It is expected that the AIC would become self-sustainable by the end of 5 years.

Key aspects of funding

AICs in educational / R&D institutes (Government or private): a) AICs would be provided a maximum grant-in-aid of Rs. 10 crore which would cover capital and operational expenditure. The ratio between capital and operational expenditure would be flexible and decided by the applicant. b) The grant-in-aid shall be disbursed in a phased manner as per the budget plan submitted by the applicant and approved by the AIM Directorate.

Key aspects of funding AICs proposed by institutes (other than educational / R&D institutes), companies and individuals or group of individuals: a) AICs would be provided a maximum of 50% of the total project cost, subject to a maximum of

Rs. 10 crore per AIC which would cover capital and operational expenditure. The ratio between capital and operational expenditure would be flexible and decided by the applicant. b) Rental value of the building as per fair market value or as per the registered lease agreement will be considered as the party's contribution to the AIC. c) The grant-in-aid shall be disbursed in proportion to the funds brought in by the party, as mentioned in the budget plan and subsequently approved by the AIM Directorate.



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Infrastructure:

The applicant would have to provide at least 10,000 sq. ft of built up space with a lease period of 15 years for academic/ R&D institutions. Whereas companies and individuals should have a minimum lease of 9 years. 6.0 Applicants desirous of establishing AICs may submit their application online to the Atal Innovation Mission, NITI Aayog at visit <http://www.niti.gov.in>. The prescribed application formats are attached at Annex III-V. Necessary documents can also be uploaded online. 7.0 The applications would be evaluated based on a Selection Matrix (Annex VI) by an Expert Committee duly constituted for this purpose. Selected Applicants will be required to enter into Memorandum of Understanding (Annex VII) and Bond (Annex VIII) with the AIM Directorate. 8.0 The above Scheme and guidelines are subject to periodic review in consultation with concerned stakeholders.

TERMS & CONDITIONS

1. The purpose of this document is to provide information to the interested applicants for the completion of their application. It is neither an agreement nor an offer made by AIM.
2. AIM does not make any representation or warranty as to the accuracy, reliability or completeness of the information in this document and it is not possible to consider particular needs of each applicant.
3. AIM will not be responsible for any delay in receiving the applications.
4. All applications will be invited only in the online mode. All communications related to the scheme including announcements of shortlisted applicants and final selection of applicants will be published on the NITI Aayog website <http://www.niti.gov.in>.
5. The issue of these guidelines does not imply that AIM is bound to select an Applicant. AIM reserves the right to accept/reject any or all of applications submitted in response to the document at any stage without assigning any reasons whatsoever.
6. AIM's decision will be final and no explanation or justification for any aspect of the selection process shall be given.
7. Applicants shall bear all costs associated with the preparation and submission of their applications, and their participation in the selection process.

8. Applicants may seek clarifications on the guidelines within five (5) days from the date of issue of the guidelines. Any request for clarification must be sent by standard electronic means (PDF or word file) and emailed to md-aim@gov.in.

9. The applicant would need to set up an SPV (refer para 3.3 of the Features of the Scheme) and upload a copy of registration certificate along with the Bank Details and other documents as may be asked for by the AIM Directorate within a stipulated time frame of 3 months from the date of Approval Letter from the AIM Directorate to release the funds to the SPV.

10. The AIC will be required to put in place the requisite physical infrastructure (shared/specific) such as laboratory and workshop facilities, utilities, support services, pre-incubation services, networking, mentoring and other facilities within a period of six months from the date of release of funds for capital and operational expenditure.

11. The AIC would also put in place a dedicated full time Chief Executive Officer (CEO) with desired domain and management expertise and other core team/supporting staff for its successful operations within six months from the date of release of funds. The applicant will have full freedom to decide the composition, recruitment and compensation of the CEO as well as the management team of the AIC.

12. The AIC should develop appropriate linkages with other parties to ensure its success. For instance, an AIC in an educational institute should collaborate with the industry and vice versa.

13. The applicant has to choose at least one area of specialisation from the list enclosed in Annex-II for establishing the AIC.

14. The AIC would evolve a transparent system for selection of incubatees. The incubatees would be admitted subject to fulfilling the admission criteria and the AIC would enter into an appropriate agreement with the incubatees.

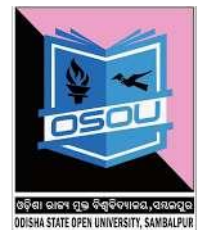
15. Each AIC would be required to have a website of its own, which should be updated on a continuous basis. In addition, the AIC will submit short videos for 1 to 2 minutes of successful start-ups to AIM Directorate every year.

16. As per the latest instruction by Controller General of Accounts (CGA), Government of India, the grantee institution is required to register at CGA website (<http://cpsms.nic.in>) to facilitate release of funds.

17. All grantee institutions except government institutions are required to execute a signed Bond (in prescribed pro-forma- Annex VIII) before any grants-in-aid are released to them.

18. The grant being released should be exclusively spent on the specified purpose for which it has been sanctioned within the stipulated time. Any unspent balance out of the amount sanctioned would be either adjusted towards the grants-in-aid payable during the next year or refunded to the Govt. of India by means of an Account's Payee Demand Draft drawn in favour of Drawing and Disbursing Officer, NITI Aayog, payable at New Delhi.

19. The grantee is required to send online i) progress report; ii) audited statement of accounts and Balance Sheet; and iii) Utilization Certificate (Annex



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IX), to Atal Innovation Mission, NITI Aayog at the end of each financial year as well as at the time of seeking further instalments of the grant, if any. However, companies and individuals would be required to submit a yearly expenditure statement for the full amount (including their own contribution) to ensure that matching funding is released.

20. The budget plan should take into account all the expenses and tax liabilities and cost of insurance specified in the work order, levies and other impositions applicable under the prevailing law.

21. The operations of the AIC will be reviewed yearly based on a comparison of the proposed budget plan vs the actual expenditure and physical performance. The release of grants after the first year and each subsequent year will be based on satisfactory performance. Further, the disbursement schedule can be reviewed after 2 years.

22. Concerned officers of Atal Innovation Mission, NITI Aayog or its authorized representatives may visit the organization/AIC periodically for ascertaining the progress of work and resolving any difficulties that might be encountered in the course of implementation.

23. AIM, NITI Aayog reserves the right to terminate support to the project at any stage, if it is convinced that the grant is not being utilized properly or that appropriate progress in the project work is not being made. The entire amount will be treated as a sunk cost and the assets will be written-off by AIM.

24. The brand name „AIC“ will be withdrawn in case of non-performance.

25. All the assets acquired or created from the grant should not be disposed-off or encumbered or utilised for purpose other than those for which the grant has been sanctioned without the prior permission of the Atal Innovation Mission, NITI Aayog.

26. The Comptroller and Auditor General (CAG) of India at his discretion shall have the right to access the books of account for the grant received from the Government.

27. The grantee will maintain separate audited accounts for the grant. The funds released should be kept in a bank account earning interest; the interest earned should be reported to the AIM, NITI Aayog and the same will be treated as a credit to the organization to be adjusted towards further instalments of the grant, if any.

28. The grantee must not entrust the implementation of the work for which the grant is being sanctioned to another institution and divert the grant receipts as assistance to the latter institution.

29. The Manpower employed by the SPV will be the liability of the SPV and AIM, NITI Aayog will not have any liability towards them.

30. AIM, NITI Aayog will have no responsibility in case of any loss caused to life or property due to accident, fire or any other reasons. The SPV is required to take appropriate safety and insurance measures to safeguard against any loss to human life and property related to AIC.



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31. The AIM, NITI Aayog will have no liability on account of any omission or commission of regulatory/statutory requirement by the AIC or its incubatees and their companies.

32. In case of any dispute, the same shall be subject to the jurisdiction of the court of Delhi.



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SUGGESTED SCOPE OF AREAS / SECTORS FOR ESTABLISHING INCUBATION CENTERS

- i) Agriculture and Allied Fields
- ii) Bio Technology
- iii) Building Materials/Construction Technology
- iv) Electricity, New and Renewable Energy and Environmental sustainability
- v) Education
- vi) Health and Pharmaceuticals
- vii) Information & Communication Technology (ICT)
- viii) Sensor Technology
- ix) Manufacturing and Engineering
- x) Micro and nano electronics
- xi) New Materials including Nano Materials
- xii) Water, Sanitation and Solid Waste Management
- xiii) Housing – Urban and Rural
- xiv) Transport
- xv) Other emerging areas or of social / national importance

Incubation Centres in Odisha

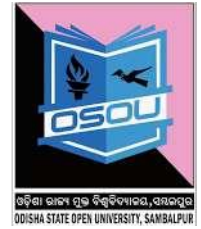
STPI: The incubator concept has emerged world wide as essential infrastructure for the growth of high-technology businesses like information technology and software development. These incubators provide the necessary help to nurture technology ideas into commercial successes.

STPI has launched the concept of incubation facility in many of its centres for the Small and Medium Entrepreneurs (SMEs). STPI sets up entire facility ready for commencing operations by software units from day one. It offers advantage of no gestation period and does not require capital investment. It helps in developing confidence in the client and ensures that the business opportunity is not lost.

Ready-to-use incubation space is available for start-up companies, aspiring entrepreneurs, and multinational companies etc., as per their requirements. It has the following features:

State-of-the-art infrastructure with work stations, cubicles, manager cabins, discussion rooms, conference halls etc.

- Ready-to-use internet bandwidth.
- Fully air-conditioned incubation space.
- Uninterrupted power supply system
- Standby DG power system
- 24 X 7 security system
- Access Control & Fire Alarm System



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KIIT Technology Business Incubator :

KIIT TBI, an initiative of KIIT University supported by NSTEDB, Department of Science & Technology (DST), Government of India offers incubation facilities and enables the incubatees to work in a secure, innovative and entrepreneurial environment as they progress through various stages of entrepreneurial development.

KIIT Technology Business Incubator is a registered Not for Profit Section (25) Company having registration number U80302OR2009NPL011211, 2009-2010.

It got the recognition of a Technology Business Incubator (TBI) in 2008 by National Science & Technology Entrepreneurship Development Board (NSTEDB), Government of India under the aegis of Department of Science & Technology. With this it has become the first such TBI in the state of Orissa and one amongst the sixty-odd in the country.

As a Technology Business Incubator KIIT-TBI networked with all TBIs in the country through various networks like ISBA through which we are networked with AABI (Asia Pacific), European UKBI and US NBIA. We are also a member of Asia Pacific Incubator Network (APIN).

XIMB Incubation Centre :

Xavier University's social venture incubator at XIMB intends to accelerate the successful development of social ventures through an array of business support resources and services. The incubator defines a social venture as a venture which focuses on achieving social change. It may or may not be a for-profit venture.

The Incubatees are;

Grassroutes - Pioneer in rural/tribal tourism

Dhriti	-	spreading the spirit of entrepreneurship in rural India
Milkmantra	-	furthering the white revolution
Earth 360	-	value added millet products
Ecoventures	-	providing energy solutions to off the grid villages
Onergy	-	harnessing the potential of bamboo
Wondergrass	-	



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Let's Sum-up

Before setting up an innovation-based Incubator it is necessary to analyze the region and verify the existence of some preconditions which, if absent, would impede its success.

- ***The potential for endogenous regional development*** – an innovation-based incubator will work supporting local entrepreneurs to develop sustainable businesses in those sectors where there is a competitive advantage and where innovation is an essential ingredient.
- ***The existence of a specific local and global market demand*** – an innovation-based incubator should be set up where there is a request, although maybe not yet expressed, of incubation services. It might be necessary to make the demand emerge through proper communication and networking activities before the actual start-up of the incubator, but a proper market research must be undertaken in order to understand whether there is a need for such a specific instrument or if it is better to start with other forms of business support organizations.
- ***A real need to cover gap(s) in the service supply chain***– an innovation-based incubator, as any “public-interest” service provider should be set up when real added value will be delivered in the region. This means that among all the other business service providers there is none which is tackling innovation, or that, if there is, the services delivered are different, or are directed to entrepreneurs in different sectors, hence the new incubator will not be duplicating already existing efforts.

Key Terms

Incubation, Incubator, Strategic Planning, Incubation Centre, Management, Funding

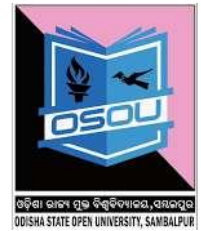
Self-Assessment Questions

- Q. What is Incubation?
- Q. What is Post-Incubation?
- Q. What is the objective of the ATAL Incubation Centre (AIC) ?

Further Readings

Incubation Centers and Development of Techno-Entrepreneurship Paperback– Import, 15 Mar 2012 by Priyan P K (Author), Darshana Dave, Lambert Academic Publishing, Germany.

IIM Ahmedabad's *Centre for Innovation Incubation* and Entrepreneurship ... by conceptualizing and publishing *Stay Hungry Stay Foolish*, Westland Limited, Chennai.



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Model Questions

1. What are the different types of Incubators?
2. What is the Atal Incubation Centre?
3. Define the role of an Incubator?

Unit – 3

Start-up Policy Framework and Incentives

Learning Objectives

After completion of the unit, you should be able to:

- Explain the concept and definition of Start-up.
- Understand the Start-up Policy Framework
- Analyse the Framework for Funding and incentives
- Identify different Incentive Value Added Taxes, Entry Tax, Subsidy and Start-up Skills Ecosystem and Venture Capital

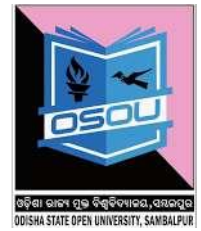
Structure

Introduction
Definitions
Business Idea, Capital & Management Team
Concept and Overview of Start-up
Start-up Policy Framework
Framework for incentives
Venture Capital
Start-up Skills Ecosystem
Let's Sum-up
Key Terms
Self-Assessment Questions
Further Readings
Model Questions

Introduction

New high-growth companies are entrepreneurial ventures with the ambition of achieving substantial sales, what began as a start-up should have become an established enterprise. This is a significant distinction compared to less ambitious company foundations. New high-growth companies are rarely in a position to finance them; they can only be realized with the assistance of powerful professional investors. Thus, for anyone setting up a high-growth company, finance is the existential issue. This means that, right from the start, the concept must be regarded from the perspective of future investors.

Successful companies are set up by combining three elements. Business Idea, Capital and Management Team.



**Start-up
Policy
Framework
and
Incentives**



Start-up Policy Framework and Incentives

1. Without a business idea, there is no business. However, the idea is not the end of the creative process, it is its beginning. Many people are so in love with their idea that they fail to see that it is, at best, the point of departure for a lengthy development towards a mature business idea, and that it must withstand tough challenges before it even has any prospects of financing and market success.

2. Money is essential. Luckily, adequate capital is available in developing countries, so that projects that are promising from the point of view of investors will undoubtedly find funding; the trick is to look at an idea from the investors' perspective.

3. The management team is the critical element in setting up a company. What distinguishes a good management team? *The management team*. High-growth new companies are not one-man bands; they can usually be realized with a team of three to five entrepreneurs with complementary skills. Forming a team is well known to be a difficult process that requires a great deal of time, energy and sensitivity. So start on it right away, and continue working on it throughout the entire planning process.

The entire start-up process must be geared toward the successful procurement of capital. Professional investors are the toughest test of a business idea's chances of success. So, focus all your communication on investors; learn to think the way they do. Even if you do not need an outside investor, you should look at your venture from this perspective. Investors will not be satisfied with a simple description of a business idea — however attractive it may be. Investors want to know exactly what they are putting their money into, and who the people behind the project are. For them, the team is at least as important as the idea. Investors also want to know, from the start, when their involvement will end, and how they will get their investment back. Making a profit is always the reason why investors want to get involved.

Definitions

Accelerator: Accelerator is an organization or program that enables rapid growth of new Start-ups by providing specific services like: mentoring, training, resources and networking to help Start-ups increase their customer base, generate more profits, prepare for funding and professionalize their organization.

Entity: Private Limited Company (as per the Companies Act 2013), a Registered Partnership Firm (under the Partnership Act, 1932) or Limited Liability Partnership (under the Limited Liability Partnership Act, 2008)

Incubator: An organization designed to support Start-up companies during the early stages to help develop a scalable business model through business support resources and services such as physical space, capital, coaching and mentoring, common services including corporate and legal services and providing networking connections. An Incubator shall also mean a Technology Business Incubator (TBI) recognized either by the Central or State Government.

Innovation: The process of translating an idea or invention into a good or service that creates value for which customers will pay. Innovation involves deliberate

application of information, imagination and initiative in deriving greater or different values from resources

Nodal Agency: Nodal Agency shall mean reputed Government institutions as approved by the State Level Implementation Committee as Nodal Agencies for certifying Startups for all categories.

Start-up: Start-up is an entity involved in crafting repeatable and scalable product or service making a positive impact in the society, where the solution is not obvious and success is not guaranteed.

An entity shall be considered as a “Start-up” provided that:

- a) The date of incorporation / registration is not prior to five years;
- b) Annual turnover not exceeding Rs. 25 crore, for any preceding financial year;
- c) Such entity is working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property and makes it scalable for achieving commercial success;
- d) Registered in Odisha or employs at-least 50 percent of its total qualified workforce in Odisha;
- e) Such entity is not an extension of existing family business; or formed by splitting up or reconstruction of a business already in existence.

Successful Start-up: Start-up would be considered successful once it raises series „B“ funding i.e. second round of financing by Private Equity Investors or Venture Capitalists

Business Idea, Capital & Management Team

HOW TO IDENTIFY A BUSINESS IDEA ...

Research has shown that most original and successful business ideas are developed by people who already have several years of relevant experience. It takes profound understanding of the technology involved, of customer behaviour, or simply of the sector concerned to develop a business idea to the necessary level of maturity. Gordon Moore and Robert Royce, for example, already had several years’ experience at Fairchild Semiconductors before they founded Intel.

However, there are examples of revolutionary concepts that have been discovered by utter novices. Steve Jobs and Steve Wozniak broke off their university studies to found Apple. Fred Smith had the idea of FedEx, the global parcel service, while at business school.

... AND HOW TO DEVELOP IT

In economic terms, even a “divine spark of genius” is worth nothing, however brilliant it may be. Usually, a lot of time needs to be invested in then idea for it to develop into a mature business idea: time for further development work involving various parties.

First, the idea must pass a plausibility check. This means making rough check of the opportunities in your market, reviewing the feasibility of the project, and



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checking how innovative it is. Very quickly, you will be confronted with a wide range of questions, and the first problems will arise. You must overcome these step by step, by improving and refining your product idea, and by re-checking its plausibility. Do you have good answers to the questions? Are you showing ways to resolve the problems? Have you improved your idea's chances in the marketplace? If not, keep working on it. Discuss your idea with friends, professors, experts, potential customers: the more broadly and thoroughly you investigate for your idea, the more clearly you will be able to express its benefits and its market chances. Then you will be properly prepared for discussions with professional investors.

How long does it take to develop a business idea? That depends. Considering the development stages we have looked at, less than a month is highly improbable and hardly realistic. The business idea for a product or process development, for example, is only ready to be financed when it is concrete enough to be brought to market in the foreseeable future, and at a reasonably predictable risk. This may take years. Investors refer to this period as the business idea's "seed phase"; it is usually financed with "soft money", i.e., with funds that make no hard and fast demands on the success of the business. It may also take a long while if the idea is ahead of its time. The perfect product has been discovered, but it cannot yet be realized, because the complementary systems or technologies have not yet been developed. An example of this is the Internet. There were plenty of ideas for marketing goods and services, but commercial exploitation of the Internet was long hampered by the inadequate security of the available payment systems.

Three ways to present a business idea

A young engineer has an idea for a new product, and wants to present her "business idea" to a potential investor. She knows that she must come straight to the point if she is to get a hearing.

Example 1: the sales approach

"I have a great idea for a new, customer-friendly payment system with enormous potential. This is what you have always wanted, and it will make you a lot of money". The investor thinks "All hot air. I've heard hundreds of "great ideas" – boring".

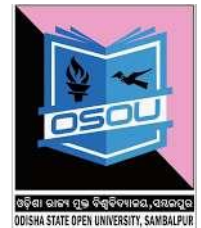
Example 2: the technological approach

"I have an idea for a computerized machine control system. The key to it is a fully integrated SSP chip with 12 GByte RAM and direct governing of the control unit via asymmetric XXP technology; it's taken five years to develop". The investor thinks "Computer nerd; in love with the technology. She's her own market".

Example 3: the entrepreneurial approach

"I have an idea that offers a business with up to 100 staff cost savings of 3–5%. Initial cost/price analyses have convinced me that there is a potential margin of 40–60%. With the Small Businesses Association and ABC magazine, I have access to a focused publicity channel. Distribution would be via direct sales". The investor thinks "Ah; she knows what the customer benefits, and has even quantified it. She's also thought about the market and the potential profit, and she knows how she intends to get the product to the customer. Now I should really like to know what sort of a product it is".

Innovative business ideas



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Business ideas can be positioned according to two dimensions. The first dimension is the product/service the idea contains; the second is the way the product/service is developed, manufactured and marketed, referred to as “business system”. In both dimensions, it is possible to further develop what already exists, or to develop something entirely new.

The concept of innovation is usually applied to new products or services that use conventional production methods and are distributed to customers using conventional distribution channels. Microsoft, for instance, developed the new DOS operating system, yet used IBM’s existing sales organization to market it. Mistral used existing sports shops to distribute its surfboards. Bernd Schneider’s Vacuvin can be bought in any shop for household goods.

Innovations in the business system are less obvious, but every bit as important. Dell’s success was due to its significantly lower costs made possible by a new type of production and direct distribution system: computers were produced very quickly but only after they had been ordered. FedEx used central sorting and 24-hour operation to revolutionize letter delivery.

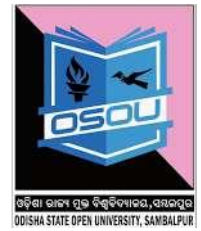
When developing new products, the emphasis must be on improving “customer benefit”. The point of innovations in the business system is above all to reduce costs. This benefit can then be passed on, at least in part, to the customer, as a price reduction. Occasionally, it is possible to combine both dimensions of innovation — product and business system. This means inventing a new “industry”. Netscape made an essential contribution to the success of the World Wide Web when it made its new browser available at no cost via the Internet—Netscape makes its money by selling software to commercial customers and space for advertisers on its home page. Satellite TV offers an almost unlimited selection of programs, sidelining traditional program distributors, like cable or broadcasting companies, by operating its own satellites and by selling the necessary receivers through traditional consumer outlets.

CAPITAL

The first question in financing is how much money it will take to launch and run the business successfully. To estimate the amount required, you can use a financial plan based on the assumptions you have used for the development of the business. The second question is how much cash you need to have available at any given moment for the company to be able to meet its current liabilities. This is a key financial planning task. The third question is how, and from where, you can obtain the funds you need. In the vast majority of cases the management team itself can only provide a fraction of the funds required. Finding investors thus becomes of existential importance for the company – “To be or not to be?” becomes a question of money.

CASH IS KING

Imagine that it is a cold winter’s day and you have just ordered a hot dog from a stand on the street. There it is, steaming appetizingly, just the way you like it, with mustard and ketchup. You open your purse and are horrified to discover that it contains just 65 cents and 5,000 lire leftover from your last holiday. Your credit



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cards are of little use here. Although financially sound, you are unable to pay for the product: you are insolvent.

The same thing can happen to your business if you do not plan properly. Your product may be fully developed, and your customers ready and waiting. Your business may be worth a good deal, in terms of future revenue; your books may show a profit, and your equity (the company's actual worth) may be increasing by the day. Nevertheless, the end of the month comes, there are wages, rent and bills to be paid, and there is exactly 1,000 in the bank. True, you have sent out invoices for over 50,000, but your generous payment terms mean that you cannot count on having enough money in the bank at the end of the month. In fact, you will not be able to meet your liabilities — you are successful beyond your wildest expectations, but nevertheless insolvent.

The common factor in both cases is that bills have to be paid in cash, and that a basically sound revenue situation is not of much help if you are insolvent. The hot dog case could have been solved easily enough with a trip to the nearest ATM. Your company, on the other hand, will need to find new sources of financing, and that will not be so easy to do at short notice. Careful liquidity planning would have enabled you to see the shortfall coming months in advance, thus giving you plenty of time to arrange a loan.

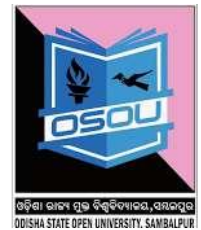
When you start your company, you will be incurring costs before you generate income. Money will be going out faster than it is coming in — you will have negative cash flow. The cash flow will remain negative until the point at which the incoming payments equal the money going out — the cash break-even point. The total negative cash flow till break-even must be financed in advance. So, if you expect that your company will have a cumulative negative cash flow of 3.7 million, you need to ensure that financing of at least 3.7 million (plus a bit extra to avoid liquidity problems) is available before you start up. Or, at the very least, you must know when and how you can get access to the money you will need.

FINANCIAL PLANNING IN THE BUSINESS PLAN

An enterprise should have access to the key figures regarding the business situation at any time. These numbers include profit or loss, the development of the cash flow, and the size of future capital requirements. You will find the basic financial information that you require in the section on “Basic accounting principles”. If you have no prior business education or experience, we recommend that you read that section before you proceed.

The business plan should contain information on the company's future financial development, backed up with a rough financial plan. Detailed financial calculations are not necessary, as forecasts are by their nature approximate, and even more so for a new company. Professional investors are impressed by a small number of well thought through key numbers. Your business plan must answer the following questions:

- _ How much money does the company need over what period?
- _ When established, how much profit is the company likely to make?
- _ Which are the main assumptions underlying the forecasts?



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This information will give investors an idea of how reasonable and plausible your numbers are. This will determine whether they will regard the projects attractive, and worth taking the risk of investing in it. The minimum requirements for the financial planning in the business plan are:

- _ Cash flow calculation, profit & loss statement, balance sheet
- _ Forecasts for the next three to five years, and at least one year beyond break-even
- _ The first two years, shown quarterly or monthly, the rest annually
- _ All numbers based on thought through assumptions (only the most important ones need to be mentioned in the business plan).

SOURCES OF FINANCE FOR NEW BUSINESSES

Once you know how much capital you need for your business, the next question is where it is to come from. The capital is usually not needed all at once, but spread out over the various stages in the company's development. A company generally has access to a wide range of sources of capital. There is a basic distinction between equity (the owner's own funds) and loan capital. Providers of loan capital frequently require security for it in one form or another, such as a mortgage. Often, they also require particular accounting measures, so called covenants; otherwise the loan can be called.

The main sources of capital

Loan capital

- _ Family loans (loans from friends and relations, usually on very favourable terms)
- _ State support, e.g., research, job-creation or sector stimulation programs
- _ Mortgages
- _ Leasing
- _ Bank loans (a.o., "TanteAgaath" loan for new companies).Equity
- _ Own savings
- _ Venture capital; professional companies or private investors
 - _ Funds from established companies for research cooperation
- _ Stock exchange, via Initial Public Offering (IPO).

Family loans

- _ Suitable for: providing "seed money"
- _ Requirements: friends or relations prepared to risk own funds
- _ Advantages: simple, informal process, sometimes extremely favourable terms, direct personal relationship with the lender, tax-deductible interest payments
- _ Disadvantages: size of loan usually restricted, friends and relations exposed to risk, possibility of excessive interference by lender on account of personal relationship.

State support

- _ Suitable for: all start-up and development phases of the business
- _ Requirements: good knowledge of the possibilities, compliance with the conditions



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- _ Advantages: generally very favourable terms (interest-free loans, long repayment periods or even grants)
- _ Disadvantages: process sometimes bureaucratic, long waiting periods, reporting requirements.

Mortgages

- _ Suitable for: financing business property and long-term investments in operating assets (machinery, etc.)
- _ Requirements: mortgageable property
- _ Advantages: easily determined and relatively favourable long-term conditions, no dilution of ownership of company, tax-deductible interest payments, low repayment rates over long periods
- _ Disadvantages: complete financing of mortgaged object rarely possible.

Leasing

- _ Suitable for: financing machinery, equipment, vehicles, etc.
- _ Requirements: leased object must be easily resalable — no specialized machinery
- _ Advantages: complete financing of object, no dilution of ownership of company, tax-deductible interest payments, some flexibility in return or exchange of object if requirements change (e.g., more powerful machine required)
- _ Disadvantages: limited to working life of object leased, higher interest rates than other means of financing, sometimes redemption payments at the end of the lease.

Bank loans

- _ Suitable for: short-term operating capital, from start-up to exit
- _ Requirements: secured against receivables (payments due from customers), inventory or equity
- _ Advantages: highly flexible, can be adjusted to current/seasonal needs, no dilution of ownership of company, tax-deductible interest payments. (The Dutch government has created the so-called “TanteAgaath” bank loan especially for starting companies, offering capital on favourable terms.)
- _ Disadvantages: security required, room to manoeuvre limited by minimum requirements for solvency of business (“TanteAgaath” loan is less strict).

Venture capital (professional)

- _ Suitable for: all stages from start-up to exit
- _ Requirements: sound business plan, business with high growth targets, investors must be able to exit completely via an IPO or a trade sale (sale of the company to a competitor, customer or supplier)
- _ Advantages: advice and active support of management team, assists in exit, no running costs (interest, loan repayments)
- _ Disadvantages: challenging and very time-consuming to obtain, larger dilution of ownership, risk of loss of control over business if targets are not met.

Private investor (business angel)

- _ Suitable for: seed phase and start-up phase in particular
- _ Requirements: depending on the investor, similar either to family loans or to venture capitalists
- _ Advantages: generally better conditions than venture capitalists



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_ Disadvantages: often have less time and energy for assisting management team in times of trouble.

MANAGEMENT TEAM

Starting up a high-growth company is a very ambitious undertaking. Success must be achieved and often fought for, step by step. In addition to the right idea, an appropriate environment and support from a wide range of partners, it will also require the untiring drive of the management team. Ultimately, it is the way that the business plan is put into practice that will make the difference between success and failure — and that will be entirely in the hands of the team. The management team is thus the crucial factor in accompany that is starting up.

THE NATURE AND IMPORTANCE OF THE MANAGEMENT TEAM

There are three reasons why the team is particularly important for the start-up:

- _ There is a lot to do – the necessary allocation of tasks is only possible with a team that brings together complementary skills.
- _ New sorts of problems continually arise — a well-functioning team, well deployed, will find the best solutions.
- _ Above all, external investors are putting their money into the team –it is ultimately the people behind the idea who will make it successful.

The team also has the advantage that the whole burden is shared across the team —if one member drops out, there should be no risk that the whole enterprise will collapse.

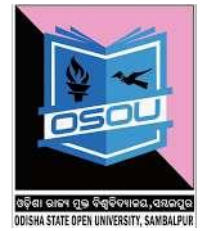
The team: Allocation of tasks based on complementary skills

Building up a business is a process that requires a wide variety of talents that are rarely all found in a single person. Because the idea for the company is usually new, there are no standard solutions for the problems that arise. A group of people with complementary skills will always solve problems better than any individual ever could.

Simply by working as a team, you can avoid typical mistakes that occur in many start-ups. For example:

- _ Going off course: changes in direction are necessary in building up any business. They are often resisted by the founder, out of fear that the business concept may be watered down. In a team, criticism will more often be based on purely practical motives.
- _ Poor quality communication: presentations can be rehearsed before a critical audience, thus avoiding embarrassing mistakes.
- _ Learning from mistakes: a sales pitch that goes wrong can be better analyzed within a team. Was it the message? The people? The presentation? Should we try again?

Interaction within the team is the most important advantage of teamwork. But there are also more mundane advantages of having a group. During the start-up, for instance, information gathering is an important task. Since there is no money for professional advice, team members rely on their colleagues and contacts for information. A team naturally has access to more sources than an individual



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would have. Also, simple matters like having someone there to pick up the phone are more easily arranged when you have a team. Being easy to reach is important to customers, who regard absence as a sign that you are not yet ready to handle orders in a professional manner.

Characteristics of an effective management team

- _ Complementary skills and strengths
- _ Shared vision – everyone wants to succeed in a shared pursuit
- _ At least three people, seldom more than six
- _ Flexible approach to problems
- _ Sticks together – especially in difficult situations
- _ Doesn't give up in the face of adversity, but reforms and clears the hurdle at the second or third attempt.

The team: In the eyes of the investor

Investors tend to be much more impressed by the people behind an idea than by the idea itself. The personality, professional and social competence, and motivation of the initiator and his or her team will often determine the investor's decision for or against the project. This is why positive signals from the team can be decisive, particularly in the initial phase. Someone who cannot quickly get a group of people enthusiastic about working on an idea may well run into problems later, when trying to get customers enthusiastic about it. Someone who lacks the social skills to help colleagues through the uncertainties of the start-up phase may later have problems managing a larger business.

What professional investors are looking for:

- _ Has the team worked together before?
- _ Do the members have relevant experience?
- _ Do the founders know their weaknesses, and are they ready to correct them?
- _ Are the founders clear about their future roles? Is the ownership of the company clear?
- _ Has the team agreed on a common goal, or are there unexpressed differences of opinion?
- _ Are the individual members fully committed to the undertaking?

Concept and Overview of Start-up

The Government of Odisha recognizes the fact that the seeds of entrepreneurship and the instinctive ability to innovate must be nurtured through an enabling ecosystem, such as:

Creation of world class **physical infrastructure** to support Start-ups;

Promoting the culture of innovation through **Academic Interventions**;

Institutionalizing the culture of entrepreneurship by providing **training for the requisite Skills**

Infrastructure: Germinating Start-ups through Incubators



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Realizing the importance of quality infrastructure required for creating successful Start-ups, government would encourage creating world class incubators in :

- I. University/Institutions, *where fresh minds sprout new ideas;*
- II. R&D/Incubators, *where innovation is encouraged through a structured approach;* and
- III. Industry/place of work, *where new challenges and opportunities lead to innovation*

University / Institution

The State will encourage Universities / Educational Institutions, which are in existence for at least 5 years and approved by State Level Implementation Committee to be eligible to support and mentor innovators. These institutions can utilize the existing facilities or set up new Incubators to create a Startup ecosystem.

Such approved institutions will be eligible for a one-time grant of 50% of capital cost (excluding the cost of building) up to a maximum of Rs. 1 crore to set up Incubator Facility. The grant shall be released on the basis of the recommendation of the Start-up council/ State Level Implementation Committee headed by the Chief Secretary and after approval of the Government.

These approved institutions shall be eligible for a performance capital grant of Rs. 5 lakh for each successful Start-up (which has received series B funding) that they create.

Reputed Government institutions in the State may be approved by the State Level Implementation Committee as Nodal Agencies for certifying Startups for the purpose of applicability of this policy. The State Level Implementation Committee may allow any other institution to be a nodal agency on a case to case basis.

Incubators

The State will encourage incubators recognized either by the Central or State Government and approved by State Level Implementation Committee to be eligible to support and mentor Start-ups. Such approved incubators shall be eligible for assistance for mentoring service.

The approved incubators shall be eligible for a performance capital grant of Rs. 5 lakh for each successful Start-up they incubate.

Industry groups / Industry House

The State will encourage existing Industrial groups in existence for at least 5 years in the State to support the Start-up / Innovation drive. The Industry can utilize their existing facility or set up new Incubators to create Start-up ecosystem. The Industry group shall be approved by the State Level Implementation Committee to be eligible to support and mentor Start-ups. Such Industry group shall be eligible for assistance for mentoring service.



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These approved Industry groups/houses shall be eligible for a performance capital grant of Rs. 5 lakh for each successful Start-up that they create.

Start-up / Innovation Park

The Government would establish one or more Start-up / Innovation Park in the State as one-stop-destination for Start-ups, either on its own or in partnership with private sector.

The Start-up / Innovation park shall have necessary common facilities and support infrastructure, such as:

- a) Common Testing labs, Design Studio & Tool Rooms
- b) Shared support services for Start-ups such as legal, accounting, technology, patents and banking services
- c) Community Events and Promotional support for incubators and Start-ups
- d) Enterprise Software and shared Hardware

The CSR Funds of State PSUs shall also be channelized and utilized for the development of Start-up / Innovation Park in compliance with the Companies Act 2013.

Start-up Policy Framework

Institution - Incubator – Industry Partnership (3i)

A “Three-I” (3i) platform shall be created where institutions, incubators and industry shall be networked through an e-platform. This platform shall function as a “**Virtual Incubator**” to start-ups connecting the research institutes, mentors, Start-ups and other stakeholders. The platform shall also provide access to Government empanelled service providers in areas such as Law, Finance, Accountancy, Marketing, etc.

Sector Specific Incubators

Sector-specific incubators shall be encouraged in areas such as IT/ITes, ESDM, Healthcare and Sanitation, Agri-Business and Food Processing, Hi-Tech farming, Tourism, Textiles and Garments, Chemical and Petrochemicals, Downstream and Ancillary.

These incubators shall be setup by the concerned Government Departments, either on their own or in partnership with private sector.

Incubator Franchise – Challenge Model

In order to build world class incubators, the Government shall identify Business Incubators, by selecting an Incubator Franchise through an international competitive bidding process as approved by the Government. The competitive process shall be for local and foreign entities and shall have Venture Capitalists, Private Equity groups, Super-Angels, Local and Multi-National Corporations as their partners in the development of incubators in Odisha.

Academic Interventions



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To foster a culture of entrepreneurship and build the ecosystem for Start-ups, the State Government shall undertake the following academic interventions in association with Industry Associations:

University Syllabus

The Universities shall be advised to introduce courses in Start-up education and entrepreneurship development.

State Schools Syllabus

Inputs in Entrepreneurship and innovation shall be introduced as part of the State School Syllabus to give students an introduction to the subject and help develop an aptitude for the same.

Faculty Up-gradation

The Government shall support universities to train the faculty for promotion of innovation and entrepreneurship as per the existing policy and guidelines of State Government in Higher Education Department and concerned Universities.

Sabbatical Scheme for College and University Faculty

A sabbatical scheme shall be introduced for College or University professors, who work along with students at an incubator, to pursue entrepreneurship for a specified period. In case any faculty decides to join a Start-up approved by the nodal agency, the faculty shall be eligible for an Extra Ordinary Leave without payment for a maximum period of 3 years.

Start-up Capital Infrastructure Fund

A Start-up Capital Infrastructure fund/ Seed Fund upto Rs. 25 crore shall be sourced as per requirement through budgetary provision of MSME Department to support development of hard and soft infrastructure for the start-up ecosystem in the State such as physical infrastructure for incubators including testing labs, design studio, tool rooms, virtual incubators etc.

Startup Seed Fund

Government may participate in the Private State specific funds for Start-ups to set up operations in the State, such as seed/venture capital funds, limited to 1/4th of the total size, only when there is firm commitment from the private State specific fund manager of bringing in 3/4th money to the state. The contribution would be released simultaneously when the private sector fund makes the contribution in the above ratio.

Assistance at Idea / Prototype Stage

- a) Institution / Incubator / Industry will support the innovator by providing mentor services and would allow the innovator to use facilities available in the institution / Incubator / Industry for Start-ups
- b) Rs. 10,000 per month will be provided to the start-up for a period of 1 year only if the Start-up has got the seed round funding approved.
- c) Reimbursement of Rs. 1.00 lakh per year for 3 years would be provided to Institutions/Incubators /Industry for providing free internet, free electricity and mentoring services.



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d) Need-based assistance would be considered a case to case basis to a certified Startup for cost of raw material / components and other related equipment required for the innovative process for the new product development, as per the recommendation of the Start-up Council/ State level Implementation Committee.

Assistance once the Idea /Concept get commercialized

- a) Marketing / publicity assistance upto Rs. 5 lakh shall be reimbursed for the introduction of innovated product in the market after Series “A” funding.
- b) VAT/CST paid in Odisha by the Start-up companies shall be reimbursed as per the Industrial Policy 2015.
- c) The cost of filing and prosecution of patent application will be reimbursed to the Startup companies as per the Industrial Policy 2015.

Assistance for Startup Funding

The Government shall encourage banks and other financial institutions to extend and enhance their lending facilities to Start-ups and set undedicated desks for Start-ups in select branches for easy funding. The Government shall also encourage Angel Investors Network and various seed capital funding agencies to forge strategic partnership with industry/Start-up associations in the State.

Framework for incentives

Eligibility

New industrial units shall be eligible for incentives provided in this policy, subject to the general conditions and specific conditions as stipulated in this IPR.

Industrial units covered under earlier IPRs shall continue to enjoy the incentives if admissible under the said policy as per eligibility.

Migrated Industrial units shall be eligible for incentives provided in this policy subject to the specific conditions.

Existing industrial units take up expansion/ modernization/ diversification (E/M/D) will be eligible for specific incentives as specified.

If an enterprise falling under any of the three categories of enterprises (Micro, Small & Medium) as defined in the Micro, Small and Medium Enterprises Development (MSMED) Act 2006, graduates to a higher category from its original category or beyond the purview of the Act, it shall continue to avail all non-tax benefit of its original category prescribed under this Policy for a period of three years from the date of such graduation to the higher category.

Rehabilitated sick industrial units shall be eligible for such incentives as recommended by State Level Inter Institutional Committee (SLIC) within the provisions of this IPR.

Transferred Units

A transferred unit after commencement of production shall be eligible to avail of all or any of the incentives for the period for which the unit was eligible before



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transfer but could not avail of the same due to suspension of production or closure on account of sickness or for any other reason.

An industrial unit seized under the State Financial Corporation Act, 1951 or SARFAESI Act 2002 and thereafter sold to a new entrepreneur on sale of assets basis, shall be treated as a new industrial unit for the purpose of this IPR, Arrears of Value Added Tax (VAT), Entry tax, Motor Vehicle (MV) tax, Employees Provident Fund (EPF), Employees State Insurance (ESI) and Exercise duty payable by previous owners shall not be realizable from the transferees of the transferred units unless otherwise provided for in any act enacted by the Central or the State Government. These being public dues shall be realizable from the previous owners under the Orissa Public Demand Recovery Act, 1962 or any other relevant Act.

Industrial Units set up without financial assistance from Public Financial Institutions and /or Banks will be required to be assessed by the appropriate agency i.e,

- IPICOL for Large Industrial Units;
- Director of Industries (DI) / DIC/RIC for Micro, Small & Medium Enterprises.

Pioneer Units in each Priority Sector shall be eligible for extension of period of incentives for an additional two years and above the period specified, provided the unit has been in continuous production during the normal period of incentive.

Government may, if need be, notify special incentives for Pioneer Units over and above those specified in this policy document.

If the industrial unit has availed incentive under any scheme of the State Government, or the Government of India (GoI) or Government Agencies or any Financial Institutions, it shall be eligible for the different amount of benefit only.

General Provisions

Implementation of various provisions covering the incentives, concessions etc., will be subject to the issue of detailed guidelines/ statutory notifications.

An industrial unit, which considers itself eligible for any incentives, shall apply in accordance with the operational guidelines and the same shall be considered and disposed of on merit by the competent authority.

The date of commercial production for availing of incentives shall be determined by the G.M., RIC/DIC for Micro, Small & Medium Enterprises and the DI for the large industrial units basing on the documentary evidence.



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A unit shall become ineligible to get incentives if it does not file its claim complete in all respects, within 1(one) year of its starting production or within the limit prescribed in the operational guidelines of this IPR.

Condensation of delay for time overrun in implementation of projects beyond the control of the industrial units may be considered by the Empowered Committee (EC) on a case to case basis. The EC may be constituted under the chairmanship of Secretary to Government. Industries Department for Large Industries and Secretary to Government. MSME Department for Micro, Small & Medium Enterprises.



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INDUSTRIAL DEVELOPMENT IN INDUSTRIALLY BACKWARD DISTRICTS

Z o n e s	Location	Concessional Industrial Land Rate (Rs. Lakhs / Acre)
Z o n e - A	Urban areas under the jurisdiction of Bhubaneswar Municipal Corporation area.	Rs. 125 Lakhs/ Acre
Z o n e - B	Urban areas under the jurisdiction of Development Authorities of Cuttack, Rourkela, Berhampur, Sambalpur, Paradeep, Puri, Angul and Jharsuguda	Cuttack-Rourkela- Rs.60 Lakhs / Acre Berhampur, Sambalpur, Paradeep, Puri, Angul, JharsugudaRs. 30 Lakhs / Acre
Z o n e - C	Revenue Sub-Divisions of Bhubaneswar (except BMC area), Khurda, Angul, Cuttack, Jharsuguda, Puri, Sambalpur	Municipal NAC area Rs. 15 Lakhs / Acre Other than NAC area Rs. 6 Lakhs / Area
Z o n e - D	Revenue Sub-Divisions of Balasore, Berhampur, Chhatrapur, Champua, Dhenkanal, Jagatsinghpur, Jaipur, Keonjhar, Talcher	Municipal NAC area Rs. 10 Lakhs / Acre other than Municipal / NAC area Rs. 4 Lakhs / Acre

Z o n e - E	Revenue Sub-Division of Banki, Baripada, Bhadrak, Bargarh, Bolangir, Jeypur, Koraput, Municipal / Rayagada, Sundargarh	NAC area Rs. 6 Lakhs / Acre Other than NAC area Rs.2 Lakhs / Acre
Z o n e - F	Revenue Sub-Divisions- AnandpurAthamalk, Baguda, Bamarghati, Bhanjanagar, BhawanipatnaBonai, Boudh, Deogarh, Dharmagarh, Gunupur, Hindol, Kamakshyanagar, Katipada, Kandhamala, Kendrapada, Kuchinda, Malkanagiri, Nabarangpur, Nayagarh, Nilagari, Nuapada, Padampur, Pallahara, Panchpir, Paralakhemundi, Patnagarh, Raitakhol, Sonepur, Titlagarh	Municipal / NAC area Rs. 3 Lakhs /Acre Other than Municipal / NAC area Rs. 1 Lakh / Acre



ଓଡିଶା ରାଜ୍ୟ ଖଣ୍ଡ ବିଶ୍ୱବିଦ୍ୟାଳୟ, ସମ୍ବଲପୁର
ODISHA STATE OPEN UNIVERSITY, SAMBALPUR

Start-up Policy Framework and Incentives

Government of Odisha will aim to provide enabling industrial infrastructure such as road connectivity, power supply, water supply, telecommunication and mobile connectivity etc, and common facilities for storage, preservation and agri-marketing to promote industrialisation and development in industrially backward districts of the state. Government will identify potential sectors for each district and provide incubation support to units in these sectors.

INCENTIVES

Land

Government land earmarked for industry under the “Land Bank” scheme of Odisha Industrial Infrastructure Development Corporation (IDCO) and other Government land wherever available may be allotted for industrial units, including infrastructure projects.

Government land will be alienated and transferred to IDCO for industrial and infrastructure development at the following rates. IDCO will add its development cost and administrative charges etc. to these rates and notify the final rates at which land will be available to industrial units separately. Land rate shall be revised by Industries Department in consultation with R&DM Department in every two years.

Ground Rent will be paid @ 1% of the land value

IDCO will sign a lease agreement with private industrial estate developers, new industrial units and existing units acquiring fresh land to undertake expansion/modernization/ diversification.

IDCO will aim to aggregate government land suitable for establishment of industry to create Land Banks to meet the requirements of Large, Micro, Small and Medium Units. 10% of the land for large projects subject to an upper limit of 300 Acre shall be earmarked for setting up ancillary and downstream industrial park.



Start-up Policy Framework and Incentives

New Industrial units and existing industrial units taking up expansion/modernisation/ diversification, new Industrial units and existing industrial units in Priority Sector taking up expansion/ modernisation/ diversification will be granted exemption under the provisions of clause-C of Section-73 of Orissa Land Reforms (OLR) Act 1960 from payment of premium leviable under provisions of clause – C of Section 8(A) of the OLR Act 1960 on production of eligibility certificate from the Director of Industries, Odisha for Large Industries and medium Enterprises and G.M , RIC/DIC for Micro and Small Enterprises as follows.

- Micro & Small Sector 100% up to 5 Acres
- Medium sector 75% up to 25 Acres
- Large Sector 50% up to 500 Acres
- Priority Sector 100% up to 100 Acres and 50% for balance area

INTEREST SUBSIDY

New MSME units and non MSME Priority sector units shall be entitled to interest subsidy for timely payment @ 5% per annum on term loan availed from Public Financial institutions / Banks for a period of five years from the date of commencement of production subject to total maximum limit of

- Rs. 10 Lakhs for Micro Enterprises
- Rs. 20 Lakhs for Small Enterprises
- Rs. 40 Lakhs for Medium Enterprises
- Rs. 1 Crore for Non-MSME Priority Sector Units

Units which are classified as Non-Performing Asset (NPA) at the time of making the application will not be eligible to avail such incentives.

For units in Industrially Backward districts the reimbursement period will be seven years from the date of commencement of production subject to the aforesaid limit.

In addition to the interest subsidy, the guarantee fee charged under Credit Guarantee Trust for Micro & Small Enterprises (CGTMSE) scheme to Micro & Small Enterprises (MSEs) will be reimbursed to the enterprises in order to improve the CGTMSE coverage for collateral free loans in the State.

VAT Reimbursement

New Micro, Small & Medium Enterprises shall be eligible for reimbursement of 75% of VAT paid for a period of five (5) years from the date of commencement of production limited to 100% of cost of plant and machinery, in a tapered manner, provided that the VAT reimbursement shall be applicable only to the net tax paid after adjustment of input tax credit against the output tax liability.



Start-up Policy Framework and Incentives

New industrial units in Priority Sector shall be eligible for reimbursement of 100% of VAT paid for a period of seven (7) years from the date of commencement of production limited to 200% of cost of plant & machinery in a tapered manner, provided that the VAT reimbursement shall be applicable only to the net tax paid after adjustment of input tax credit against the output tax liability.

Existing Micro, Small & Medium Enterprises taking up expansion/modernisation/ diversification as defined in this IPR shall be eligible for 75% reimbursement of VAT paid for a period of five (5) years from the date of commencement of production subject to the condition that it shall be applicable only on increased production over and above the existing installed capacity limited to 100% of additional cost of plant and machinery acquired for taking up Expansion/ Modernisation/ Diversification in a tapered manner, provided that the VAT reimbursement shall be applicable only to the net tax paid after adjustment of input tax credit against the output tax liability.

Existing industrial units in Priority sector taking up expansion/ modernisation/ diversification as defined in this IPR shall be eligible for 100% reimbursement of VAT paid for a period of seven (7) years from the date of commencement of production subject to the condition that it shall be applicable only on increased production over and above the existing installed capacity limited to 200% of additional cost of plant and machinery acquired for taking up Expansion/ Modernization/ Diversification in a tapered manner, provided that the VAT reimbursement shall be applicable only to the net tax paid, after adjustment of input tax credit against the output tax liability.

New Pioneer Units under each Priority Sector shall be eligible for reimbursement of 100% of VAT paid for a period of nine (9) years from the date of commencement of production, limited to 200% of the cost of plant & machinery in a tapered manner over a period of nine years provided that the VAT reimbursement shall be applicable only to the net tax paid after adjustment of input tax credit against the output tax liability.

Anchor Tenant in each industrial park shall be eligible for reimbursement of 100% of VAT paid for a period of nine (9) years from the date of commencement of production, limited to 200% of the cost of plant & machinery in a tapered manner over a period of nine years provided that the VAT reimbursement shall be

applicable only to the net tax paid after adjustment of input tax credit against the output tax liability.

This provision will be suitably replaced/ modified after Goods and Services Tax (GST) is introduced.



Start-up Policy Framework and Incentives

Venture Capital

Venture capital is money for financing new businesses, made available by risk-capital partnerships or individuals. Typically, venture capital is invested in projects that offer a chance of high profit, but also involve high risk. Venture capitalists expect a profit from their investment corresponding with the risk involved. Accordingly, they follow a start-up project very closely to ensure that the potential is actually realized.

Besides financing, what do professional venture capitalists have to offer to a new entrepreneur:

- ❖ Coaching and motivation for the founding team
- ❖ Specialist knowledge in building up new businesses
- ❖ Access to a network of experienced entrepreneurs, potential clients, business partners and managers who can help you make your business a success
- ❖ Advice on how to realize the success of the company (sale, listing of shares on stock exchange).

Venture capitalists will also move into the driver's seat if the management team fails to achieve its targets.

Choose a venture capitalist

Venture capitalists generally expect to take a significant share in a new business. But they also provide powerful support, which goes far beyond their financial involvement, and share decisive responsibility for the success of the business. There are differences between the various venture capitalists, and the management team should know its investors well. If you would prefer to have 20% of a 100 million business than 80% of a 5 million business, you should not only choose your investors according to who offers the most money at the best conditions.

Start-up Skills Ecosystem

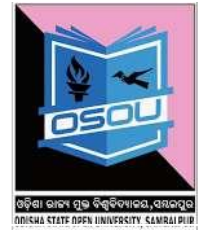
Start-up Skills Ecosystem

The below mentioned initiatives shall be taken up in association with Industry Associations, Angel Investors etc.

Start-up Role Model Program

The Government will encourage innovation amongst the entrepreneurs and students which focus on innovative products that address societal problems. Top 10 Start-ups operating in the State shall be identified through a selection process and shall be given a platform to meet and interact with mentors for getting

funding support for product development and marketing. “Start-up of the Year” award shall be given to top 3 shortlisted Start-ups from the State. Similar awards such as “Best Mentor”, “Investor of the year” shall also be given through this program which would be conducted annually with the assistance of Industry Associations operating in the State.



Start-up Policy Framework and Incentives

Boot camps

College and School Level Start-up Development Clubs (Boot camps) will be established through incubators to foster innovation and entrepreneurial spirit at the school and college levels.

International Startup Culture and Exchange Programme

An international Start-up exchange program shall be setup to garner knowledge and experience from global start-up destinations to enhance the start-up culture in the State. The Government will tie-up with the international organizations to send Start-ups to leading global Start-up destinations for gaining international exposure. Similarly, tie-ups may be setup to bring world class Start-ups to work alongside Start-ups in Odisha for faster learning and cultural exchange.

Let's Sum-up

A business plan quantifies the financial resources that the business will need. How will you be able to gain access to these resources? You will probably quickly realize that debt, such as bank loans or mortgages, is unlikely to be available to new businesses. The only practical option is often participation by an investor in your company's equity. As this represents a high-risk investment over a period of years for investors, they will require both a certain rate of return and a certain share of the company. You will have to negotiate with investors over this. The basis for such negotiations is a company valuation. In addition to purely financial support, entrepreneurs should also estimate the investor's support in terms of “smart money”. As this relationship will probably last over several years, it is essential, during the negotiations, to create a basis of trust for the cooperation.

Key Terms

Entrepreneurship, Leadership, Local Businesses, Small and Medium Enterprise (SME), Small Business, Social Entrepreneurship, Strategy

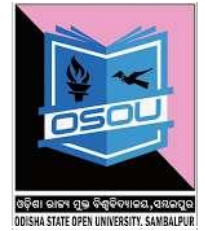
Self-Assessment Questions

- Q. How to choose a venture capitalist?
- Q. What is Innovation?
- Q. What is the nature and importance of the management team for a startup?

Further Readings

- Originals: How Non-Conformists Move the World *by the Author* Adam Grant

- Platform Revolution, by Sangeet Paul Choudary, Geoffrey G Parker, and Marshall Van Alstyne
- Superbosses, by Sydney Finkelstein
- How to Have a Good Day, by Caroline Webb



**Start-up
Policy
Framework
and
Incentives**

Model Questions

- Q. what is the value proposition?
- Q. How will you make a profit?
- Q. How will the investment you are seeking contribute directly to the success of the business?

Answers to Self-Assessment Questions

Unit-1

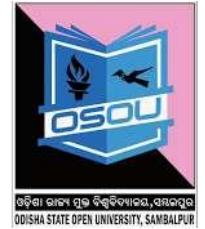


- The focus sectors of the State for next five years are as follows:
 - a. Auto and Auto components
 - b. Downstream and Ancillary Industries
 - c. Agro and Food Processing
 - d. IT and Electronic System Design & Manufacturing
 - e. Tourism
 - f. Manufacturing in Aviation and Maintenance, Repair & Overhaul (MRO) facilities
 - g. Pharmaceuticals
 - h. Handicrafts and textiles
 - i. Petroleum, Chemicals and Petrochemicals
 - j. Plastics and polymers

- The industrial policy refers to such formal declaration by the government through which general policies for industries adopted by the govt. are made public. Any industrial policy may have mainly two parts first, the ideology of the govt. which determines the nature of industrialisation, and second, the governing rules and principles which provide a certain framework behind existing ideology. Thus, industrial policy is a comprehensive concept which provides guidance and out-lines of the policy for establishment and working of industries.

- “Infrastructure Project” means any project for the creation and modernization of Special Economic Zones; roads, bridges & culverts, railway lines, power plants, electric substations and transmission lines, water supply and storage facilities undertaken predominantly for use by industrial units, ports, airports, container terminals, bonded warehouses, satellite townships around industrial centres, film cities, film studios, transport and telecommunication facilities, common effluent treatment plants, tool rooms, R&D Institutes, Technology Laboratories / Centres, Quality testing labs / centres, exhibition and conference centres, industrial townships, industrial estates, entertainment parks, Golf courses and other tourism-related infrastructure and social infrastructure such as schools, technical & management institutes and hospitals, subject to eligibility criteria to be notified later.

Unit -2



1. Incubation is a process which tends to be activated whenever there is a need to support entrepreneurs in developing their own business. The concept of innovation is not yet being considered as innovation and entrepreneurship are two separate phenomena, albeit intertwined to a great extent. The same definitions of entrepreneur vary within a range where at one extreme an entrepreneur is “anyone who is self-employed or in business”, and at the other an entrepreneur is “a person who pioneers change”.

2. Post-incubation, relates to the activities to be carried out when the company has reached the maturity phase, and therefore is ready to walk on its own feet. It is the time when, If it has been physically incubated, the company will leave the incubator. Various services might still be needed by the SME for example to increment its sales or improve its productive processes, such as internationalization services or innovation introduction through scouting and detection activities. Incubators positioned as “post incubators” sometime rename themselves as “accelerators”.

3. The objective of the AIC scheme is to promote and establish incubation centres¹ in India which would support and encourage start-ups in specific subjects/sectors such as manufacturing, transport, energy, health, education, agriculture, water and sanitation etc. and would provide them with necessary infrastructure facilities and other value added services. The scheme would also focus on establishment of AICs in underserved and unserved areas to support inclusive growth.

Unit-3

1. Venture capitalists generally expect to take a significant share in a new business. But they also provide powerful support that goes far beyond their financial involvement and share decisive responsibility for the success of the business. There are differences between the various venture capitalists, and the management team should know its investors well. If you would prefer to have 20% of a 100 million business than 80% of a 5 million business, you should not only choose your investors according to who offers the most money at the best conditions.

- Innovation is the process of translating an idea or invention into a good or service that creates value for which customers will pay. Innovation involves deliberate application of information, imagination and initiative in deriving greater or different values from resources.

▪ There are three reasons why the team is particularly important for the start-up:

_ There is a lot to do – the necessary allocation of tasks is only possible with a team that brings together complementary skills.

_ New sorts of problems continually arise — a well-functioning team, well deployed, will find the best solutions.

_ Above all, external investors are putting their money into the team – it is ultimately the people behind the idea who will make it successful.

The team also has the advantage that the whole burden is shared across the team — if one member drops out, there should be no risk that the whole enterprise will collapse.

