

# AN EDGE AND ROLE OF GOVERNMENT FOR CREATION OF AN INNOVATION AND PRE- INCUBATION ECO SYSTEM SUPPORT

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## ABSTRACT

*In the last decade, India spent less than 1% of the GDP for R&D and Innovation. R&D in India is still largely financed by the government sources. There are around 5,000 Startups world over, in which India has only 65 incubators. A young population means a young workforce, which, in turn, implies a more innovative and entrepreneurial mind set. The Government is focused strongly not just on the employability but also on initiating the Startups Incubators/ Centers for developing entrepreneurial skills in the youth. Startups in an economy's technology sectors is an important indicator of technological performance for several reasons: first, the formation of new firms that focus on the development and introduction of new technology is a major source of innovation and technological advance. Many of these Startups transfer new knowledge or new ideas into products and processes into commercial applications. Startups are likely to bring in new solutions and challenge established by individuals/ companies that enter these new markets. The Government of Gujarat has already initiated action on the Startup India plan by involving the universities and educational institutions of Gujarat in setting up incubators. Additionally, a huge pool of faculty members, research resources, and common facilities are available in universities and educational institutions for new ideas to get nourished right in the campuses before the ideators have to seek external support to become a full-fledged startup. Gujarat has taken leadership in industrialization and contributed significantly to the country's ever-growing progress.*

**Keyword:** Start up, Innovation, Incubator, Pre incubation, Eco system

## 1. BACKGROUND

The world had witnessed a deep economic crisis in the year 2008 with developed countries suffering a double dip recession and emerging economies suffering a slowdown. Most of these countries are still undergoing low or stagnant GDP growth due to lingering effects of the crisis coupled with high inflationary pressures. This does not bode well for global growth. Increasingly, Asia is being recognized as the region that can trigger a wave of economic activity with positive spillover effects.

During FY 2013-14, amid slow growth and high inflation, the Indian economy had to contend with the serious challenges to external stability arising from an unsustainably high current account deficit (CAD), capital outflows and consequent exchange rate pressures.

However, to secure a sustainable growth of at least 7% over the medium term, micro economic policies will need to work in tandem with a supportive macroeconomic regime. Requirement for sustainable growth creates



a need for employing efficient industrial processes which also help alleviate the overall environmental damage.

Gujarat contributes more than 7.5% to India's GDP and 18% to India's fix capital. More than 10% of the country's factories are in Gujarat while its manufacturing sector contributes 28% to its GSDP. In spite of the global economic meltdown, Gujarat achieved an annual GSDP growth of 10% in 2005-13 which is more than the national average in the same period.

## 2. INTRODUCTION

Situated on the west coast of India, Gujarat is one of the leading industrialized states in the country. Its geographical area of about 2 lakhs sq. km. Accounts for 6% of the total area of India with the coast line of 1600 km, it is well connected with all the major port based trade routes, such as USA, Canada, Europe, Australia, China, Japan, Korea, Gulf and African countries and other major trade cities of the world by air route.

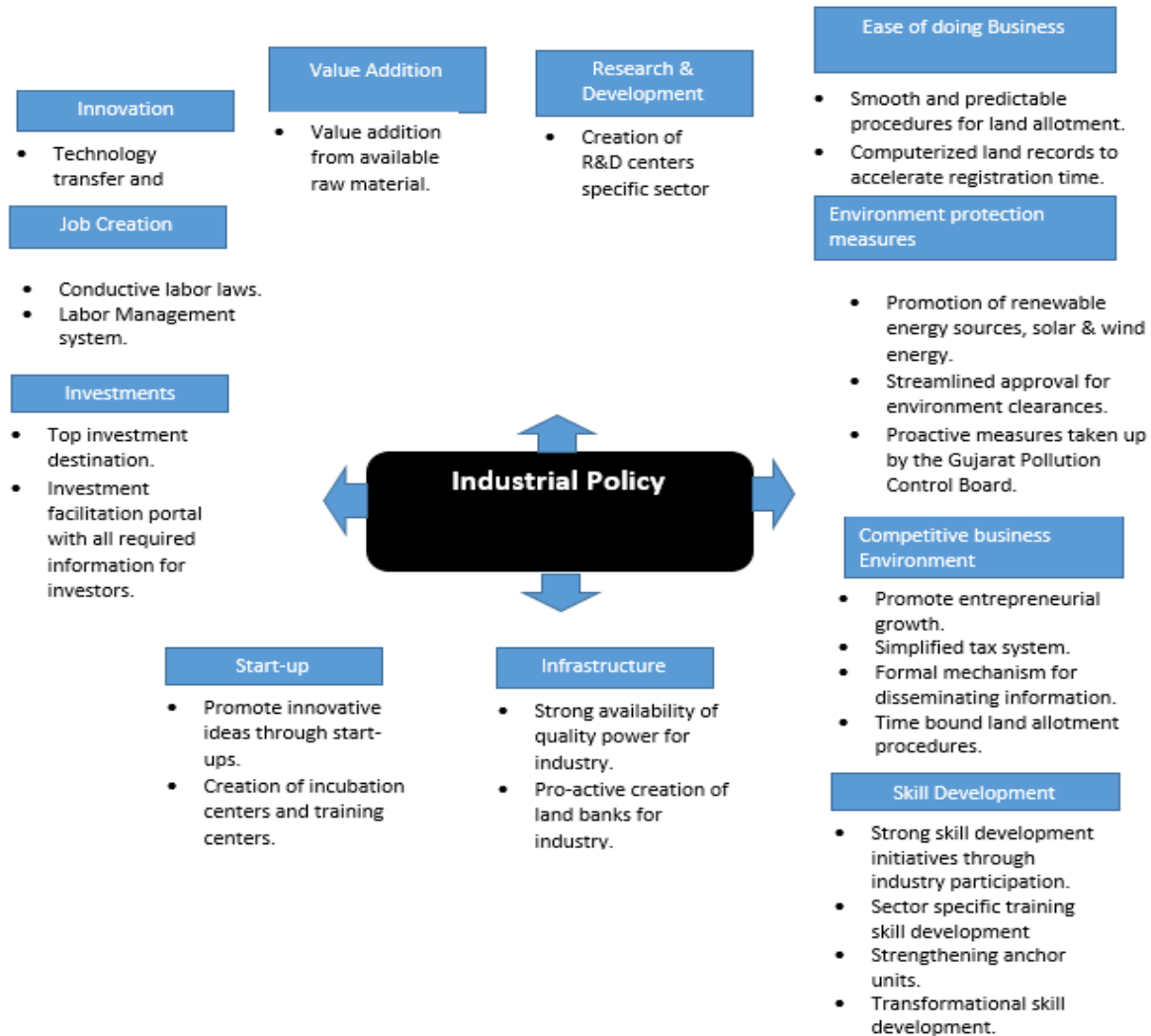
'Gujarat' as globally competitive and innovative industrial destination that stimulates sustainable development & promotes inclusive growth. Given the inherent strengths of the state, its strong positioning on a national and international platform, and by its constant emphasis on promoting excellence, Gujarat comes forward with a dual vision. By making Gujarat as an attractive "Total Business Destination" expedite the overall country's economic growth, thereby increasing the standard of living and prosperity among the people of Gujarat by giving them the opportunity for skilled employment and availability of nurtured enterprises.

Around 60% of Gujarat's population is in the age group between 15 years and 59 years. So initiative of the government will encourage people of Gujarat state to start their own businesses instead of merely looking for job opportunities. Its motivate 'start-ups' through this new industrial policy.

Strategy which supports industrialization through high value addition: Accelerating Development of Infrastructure, Promoting labor intensive industries, Focus approach for industrially under-developed Areas, Strengthening sector-specific vocational skills, Encouraging Universities for incubating start-ups & innovative product development, Support technology up-gradation and research & development, Promote trade facilitation & e-governance, Support to Service sector enterprises, Conducive labor reforms including more opportunity for women, Focus approach on 'Make in India' program, To enhance last mile connectivity for strengthening development of infrastructure, To promote specific sector approach & value addition in production, To encourage the adoption of green, clean-energy business practices, To promote innovation, start-ups & technology transfer, providing equity support for MSMEs & Start-ups, Facilitation to large/ mega projects.



Figure 1: shows major strategies for achieving growth



Source: Industrial policy 2015, GoG

### 3. RESEARCH METHODOLOGY

To conduct the present research secondary data has been collected from various sources. Available reports of GoG, authenticated reports published on government websites and other relevant literature were studied.

#### 3.1 Objectives of Research Paper:

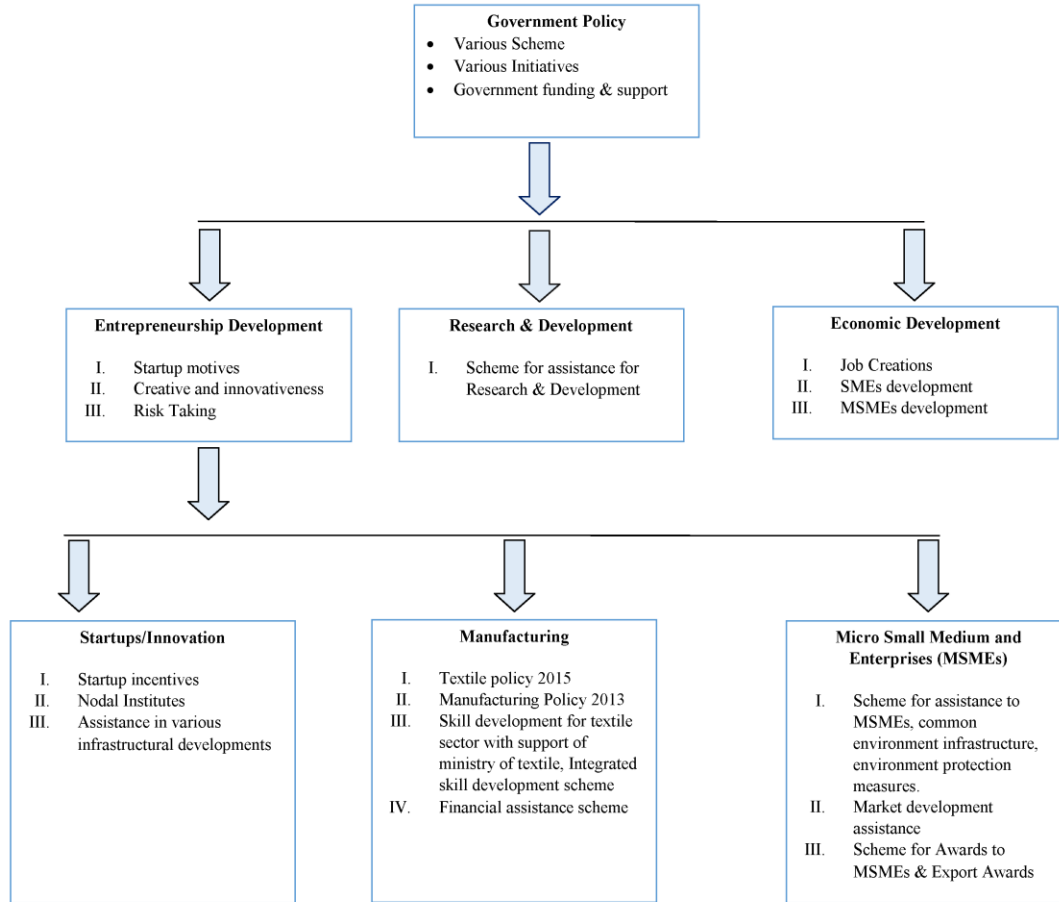
- 1.1.1. Study various incentives schemes of government of Gujarat
- 1.1.2. Study implementation of schemes for promoting entrepreneurship
- 1.1.3. To identify various schemes for assistance for start up



1.1.4.To identify various schemes for MSMEs

3.2 Conceptual Framework and Hypotheses Development:

Figure: 2 Conceptual Framework



Source: Authors

3.3 Assistance to encourage MSMEs, R&D and Startup/Innovation

3.3.1 Assistance to new MSMEs:

Capital Investment subsidy

- Capital Investment subsidy at 10% of loan amount disbursed by Bank/Financial Institute with the maximum amount of Rs. 15 lakhs in municipal corporations areas.
- Capital Investment subsidy at 15% of loan amount disbursed by Bank/Financial Institute with the maximum amount of Rs. 25 lakhs in the areas other than municipal corporations.

### **Interest subsidy**

- Interest subsidy of 5% with the maximum amount of Rs. 25 lakhs per annum for period of 5 years in municipal corporations areas.
- Interest subsidy of 7% with the maximum amount of Rs. 30 lakhs per annum for period of 5 years for in the areas other than municipal corporations areas.
- 1% additional interest subsidy to SC/ST entrepreneurs, physically challenged entrepreneurs, women entrepreneurs in manufacturing and services sector.
- 1% additional interest subsidy to young entrepreneurs below age of 35 years on the date of sanction of loan.

### **State Awards to best MSEs and MSMEs**

- Three awards to be awarded in each category (i) Growth in production and profit (ii) Quality and environment improvement measures. (iii) Innovation in technology for the new product or process development.
- Award of Rs. 2 lakhs, Trophy and appreciation letter to each winner

### **Shed and Plot development assistance developed by private developers and GIDC (Assistance for three years)**

- 50% of rent paid or Rs. 50000 per annum, whichever is less municipal corporations area and area under the Urban Development Authority developed by private developers
- 50% rent paid or Rs. 25000 per annum for non municipal corporations area and area under the Urban Development Authority developed by private developers
- Up to 50% of allotment price fixed by SLEC will be given directly to GIDC.

### **3.3.2 Assistance for Research and Development:**

The policy focuses on promotion of R&D institutions and strengthening of laboratories. The state government therefore, intends to encourage and promote R&D institutions to undertake research work, disseminate proven technology among industrial units, strengthening of exiting labs for industrial associations.

- Assistance to R&D institutions/laboratories set up by GoG or GoI including setting up of new R&D institutions/laboratories shall be provided as per requirement.
- Assistance to laboratories established by industrial associations with the help of government will be up to 60% of the project cost for machinery and equipment costs.
- Assistance for contract/sponsored research work from any industrial enterprise/industrial association to recognize R&D institutions/technical colleges approved by AICTE, will be considered at 50% of the project cost, excluding cost of land and building, subject to maximum Rs.50 lakhs.





**3.3.3 Assistance to start ups/innovation:**

**Assistance for Innovation:**

- Institution will support to the innovator by providing mentor services.
- Institution will allow the innovator to use facilities available in the institution for startups.
- Rs. 10000 per month will be provided to the innovator as sustenance allowance for one year whose project is recommended by institution as approved by Committee.
- Up to Rs. 5.00 Lakhs assistance will be provided to the institution for mentoring service.
- Up to Rs. 10.00 Lakhs assistance will be provided for Cost of Raw Material/Components & other related equipment required for the innovative process for the new product development based on approval of the committee.
- Govt. will support selected innovator to get free access to University/Libraries/Govt. Laboratories/SDCs (GIDC)/CoE/PSUs to have more clarity on his innovative ideas/concept.

**Assistance once the Idea/Concept get commercialized.**

- Marketing/publicity assistance of up to Rs. 10.00 lakhs will be provided for the introduction of innovated product in the market.

**3.3.4 Role of incubator and incubation process for startup**

Incubation is a business support process that accelerates the successful development of startup-up and fledgling companies, also referred to as 'clients' [of the incubator], by providing entrepreneurs with an array of targeted resources and services. These services are usually developed or orchestrated by incubator management and offered both in the business incubator and through its network of contacts. Business Incubation thus can be said to refer to complex services and special environment provided temporarily for startups enterprises with the aim of improving their chances of survival in the earlier phase of the life span and establishing their later intensive growth.

Nodal Institutes act as a bridge between government and startups to implement policy. Nodal Institutes means the institution which would like to undertake startups. The institution includes universities/ educational institutions, Incubation center, PSUs, R & D institutions, private and other establishments. Role of Nodal Institutes is to facilitate startups with all government schemes and benefits.



**3.3.5 List of Nodal Institutes in Gujarat State**

**Name of University/Insitute**

- Gujarat Technological University
- MICA Incubator
- CIIE(IIM)
- Venture Studio
- IIT-Gandhinagar
- Lok Jagruti Kendra
- Inovation & Incubation Centre(PDPU)
- DAIICT
- Ganpat Unversity
- GLS University
- i-Create
- GSBTM
- NID
- EDI
- Innovify Research Foundation
- Kadi Sarva Vidyalaya Kelavani Mandal
- R. K. University
- Dharmsinh Desai University
- Anand Agricultural University
- Institute of Rural Management
- Shroff S R Institute of Chemical
- IGNITE - The Silver Oak Incubation
- Centre
- SIGMA Polytechnic
- Aashray Promotion of Social Enterprises
- C. U. Shah University
- Cognian – Incubation & Research Centre,

- SAL
- Karnawati Medical and Education Trust
- Gujarat Grassroots Innovations
- Augmentation Network (GIAN)
- Gujarat University Startup &
- Entrepreneurship Council (GUSEC)
- SEMCOM (SGM English Medium College of Commerce and Management)
- Gujarat National Law University
- Marwadi University

Source: [http://ic.gujarat.gov.in/wp-content/uploads/2016/01/List\\_new.pdf](http://ic.gujarat.gov.in/wp-content/uploads/2016/01/List_new.pdf)

## 2. FINDINGS

After detail study of the various government policies, resolutions and schemes we found that GoG is trying to foster culture of manufacturing and MSME industry and aims to be innovative industrial destination that stimulates sustainable development. Gujarat Industrial policy 2015 provide assistance for development of basic infrastructure like power, water supply, roads in the new estates. GoG also encourage participation of private sector for setting up small estates and specialized industrial parks.

## 3. CONCLUSION AND POLICY IMPLICATION

**Key focus areas of this policy include infrastructure development, simplification of labor laws and motivation of new innovations through technology transfer. Besides, it would also focus on incentives for youth, women, scheduled castes, scheduled tribes and handicapped entrepreneurs, assistance to micro, small and medium enterprises (MSME) sector as well as assistance for upgrading technology. "Industries like auto components, engineering, drugs, cement and chemicals are flourish in Gujarat. Now, we wish to boost value addition in these existing resources, which will create new jobs and reduce imports. The new policy, special incentives would be given to set up new businesses in sectors like garments, apparel, agro and food processing.**

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***LIST OF ABBREVIATIONS***

AICTE:	All India Council for Technical Education
GDP:	Gross Domestic Product
GIDC:	Gujarat Industrial Development Corporation
GoG:	Government of Gujarat
GoI:	Government of India
MSME:	Micro, Small & Medium Enterprise
R&D:	Research and Development
SME:	Small & Medium Enter