

**2015**

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**KERALA TECHNOLOGICAL UNIVERSITY**

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# Student Startup Policy

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## Preamble

*Studying entrepreneurship without doing it is like studying the appreciation of music without listening to it. Until you confront the fear and discomfort of being in the world and saying, "Here, I made this," it's impossible to understand anything at all about what it means to be an entrepreneur.*

- Seth Godin-

Stanford and Berkeley Universities were instrumental in many Silicon Valley startups. Columbia University opened the Lab, a co-working space for alumni entrepreneurs. NYU is not alone in recognizing the need to nurture campus entrepreneurship. In the process of creating entrepreneurship programs, American universities have become more entrepreneurial themselves. Colleges and universities are natural incubators of creativity and new ways of looking at things. This new reality means that colleges and universities are better preparing students for success in the American economy — where more professionals need to make their own jobs.

33.2% of all companies founded by immigrants in the US had an Indian co-founder, as per to a study by Kauffman Foundation. This is because of the Indians founding more technology and engineering firms than the next 9 immigrant groups combined. The most talented immigrant community among Indians is considered to be Keralites. The best youth of Kerala have been leaving the State in pursuit of better career options, and many of them have become successful entrepreneurs outside the State. This loss is irreparable in a Knowledge Economy where people and ideas are more important than land or capital. To realize the true potential of Kerala, this 'brain drain' needs to be reversed. This policy aims to create a world-class scientific and technology ecosystem that would empower and enable its youth to pursue their dreams within the State.

The Kerala Technological University (KTU) aims to provide an ecosystem where the best educated youth of the state can reach his/her maximum potential. Any society peaks when a great number of its people have access to experiences that are in line with their life goals and this requires development of increasingly complex skills. The necessity to develop increasingly refined skills is what lies behind the evolution of culture. By smoothly integrating the technological and creative skills of students to solve the contemporary problems, the KTU aspires to kick-start an entrepreneurial culture, which contributes to increased knowledge, wealth and employment.

## INTRODUCTION

The existing rigidity in systems and cultural barriers that discourages experimentation by moving out of the system needs to be changed. For example, an under graduate student is unable to move laterally or horizontally to other courses without losing time. A similar example is an academic or government employee, who is unable to take a break and pursue his or her entrepreneurial instincts by leveraging the knowledge gained during the work years. In fact, he or she should be encouraged to take a risk, and on failure should be allowed to join back to the system.

In China, “entrepreneurship” is equated with business start-up, and the Ministry of Education emphasized four goals for entrepreneurship education in China. Firstly, it should expose students to the challenging prospect for employment and raise their entrepreneurship awareness. Secondly, it should lay a solid foundation of knowledge on entrepreneurship. Thirdly, it should improve college students’ entrepreneurial skills and abilities through both classroom learning and beyond. Last, it should reduce entrepreneurial risks among college students.

The young population of India creates a massive demographic dividend. For the next 40 years, the country would have a youthful, dynamic and productive workforce when the rest of the world, including China, is aging. It is further estimated that the average age in India by the year 2020 will be 29 years as against 40 years in the USA, 46 years in Europe and 47 years in Japan. In fact, in 20 years the labor force in the industrialized world will decline by 4%, in China by 5%, while in India it will increase by 32%.

The demographic dividend in Kerala will end sooner due to its aging population and lower population growth and time is now to act decisively to reap the dividend. There is further necessity to retain the youth within the state to support the aging population. To employ all its youth, India will have to create 1 million new jobs every month for the next 20 years, and this is going to be created by new startups through entrepreneurship. The globally well-known Kerala model of development of achieving high Human Development Index (HDI) in an equitable manner has to now evolve into a new model of creating knowledge, employment and wealth through innovation and entrepreneurship and set an example for rest of the country. Kerala is the first and only state in the country to have 1% of the State’s annual budget ear-marked for entrepreneurship development activities. For leading the way, KTU is presenting this Student Startup Policy for its student community.

## Vision

**K**erala to emerge as the No.1 Destination in India for Startups and amongst the top 5 startup ecosystems in the world.

Objectives:

The Government of Kerala proposes Startup Policy which aims to achieve the following by year 2020;

- Attract Rs. 5,000 Crore in investments into the Incubation and Startup Ecosystem in Kerala
- Provide Rs. 2500 Crore for youth entrepreneurship activities for the next five years (1% of the annual State Budget)
- Create more numbers of Indian owned Global Technology companies based out of Kerala
- Establish at least 10 Technology Business Incubators / Accelerators in each of the different sectors in the State
- Encourage/Facilitate/Incubate at least 10,000 technology product startups
- Develop 1 million sq. ft of Incubation Space
- Facilitate Venture Capital funding of a minimum of Rs 2000 Cr
- Set the platform for creating at least one home grown billion dollar technology company from the startups

## Features in Governmental Policy

The Policy is split into nine key portions that are the strategic building blocks towards a world-class startup ecosystem namely Infrastructure, Incubators and Accelerators, Human Capital Development, Funding, State Support, Governance of Policy, Public Private Partnership, Scaling Existing and Establishing New Incubators and Startup-Bootup-Scaleup model for moving fast from ideas to IPO.

## GOVERNMENTAL POLICY

- **Creation of Infrastructure:** All Government owned IT Parks, Industrial Parks and SME Clusters shall have incubation facility like plug and play incubation facilities in different sectors and different locations within the state. Government will facilitate successful entrepreneurs from the state to setup required high tech labs and testing facilities. The Government will facilitate development of physical incubation infrastructure in a Live-Work-Play mode through Public Private Partnerships. An Incubation Infrastructure Development Fund will be constituted and a suitable structure for operating the fund shall be evolved in consultation with all stakeholders including Host Institutes of Incubators, Government, Industry and Lenders. The Government will encourage Host Institution of existing Technology Business Incubators (TBI's) for expanding up their operations in the state to jump-start the startup ecosystem. Innovation based incubators shall be set up in all Institutions of Higher education in the State, Research Institutes and other Centers of Excellence and these Institutes shall be networked through an e-platform hosted by T-TBI. The Electronic Platform shall also function as a "Virtual Incubator" to startups in all sectors connecting the research institutes, mentors, entrepreneurs and all other stakeholders and shall act as an incubator without walls. Approval for the Incubator and host institution by National Science and Technology Entrepreneur Development Board, Department of Science and Technology, Government of India or by Government of Kerala shall be a condition for availing this infrastructure funding. In addition to the Incubation Facilities such as R&D Labs, Office Spaces, Small and Large Conference Rooms etc, the facility so created may have Small Office Home Offices (SOHO), Hostels, Dormitories, 1-2-3 BHK's, Office Spaces and other modern amenities. The Government shall provide promotional support to these incubators as needed.
- **FABLABS:** In order to promote education in hardware manufacturing and creating prototypes of hardware products, two High End FABLABs from MIT (Boston, USA) and Design Studio with international collaboration would be setup at Technopark TBI and Startup Village. Government will further support mini-fablabs at other educational institutions or incubators by giving support to the high end FABLABS for creating derivative labs.
- **Accelerator:** The Government shall establish at least one world class Accelerator by inviting global Accelerators to set up their programs in the state. The Government will also support small incubators in multiple locations, by providing support and space to bring in expertise and startups in the incubation centers through diverse models. Government proposes to partner with world-class accelerators by providing support and space to bring in international expertise. The Government will closely monitor the progress of the initial batches/ groups in the Incubation centers as these would seed the ecosystem which will fuel the subsequent batches.
- **Human Capital Development:** Inculcating the habit and embedding the idea of innovation and entrepreneurship in the minds of citizens in every aspect of economic activity is essential for promoting the culture of innovation. This needs to be achieved through strong educational support to bring out innovators and *technopreneurs* among the youth. The Government would work with universities, educational institutions and the industry to provide pre-trained manpower in emerging technologies and to foster a culture of entrepreneurship in all sectors.

## GOVERNMENTAL POLICY

- **Startup Funding:** The Government shall encourage the Banks and financial institutions to enhance and extend their existing schemes of lending to the Startups on convenient terms (eg., collateral-free lending, soft loans, interest free loans, etc). Institutions like KFC shall be encouraged to promote schemes like CGTMSE of Government of India and sufficient guarantees shall be provided to these financial institutions to meet the NPA losses subject to a ceiling of 10% of the total loan disbursed and outstanding. Private funds shall be encouraged to setup operations in the state for funding startups. The Government may participate in SEBI-approved early stage Venture Capital Funds, upto 25% as Limited Partner. The Venture Capital Fund so created shall invest primarily in startups located in Kerala, basing on its own criteria.
- **Exemptions:** Startups would be exempt from inspections under the following Acts and the Rules framed there under, barring inspections arising out of specific complaints.
  - The Factories Act 1948
  - The Maternity Benefit Act 1961
  - The Kerala Shops & Commercial Establishments Act 1960
  - The Contract Labour (Regulations & Abolition) Act 1970
  - The Payment of Wages Act, 1936
  - The Minimum Wages Act 1948
  - The Employment Exchanges (Compulsory Notification of Vacancies) Act 1959
- The incentives available in the State IT Policy 2012 would also be directly applicable to the startups, Host Institute of Incubators and Accelerators are as follows:
  - **Reimbursement of VAT/ CST:** Annual Reimbursement of VAT/CST paid in Kerala, upto a maximum of Rs 50 lakhs turnover by incubated startup companies within a period of first three years of being incubated.
  - **Financial Assistance as Matching Grants:** The Government would match the funding raised by the Incubator from Government of India on a 1:1 basis as matching grants
  - **Performance Linked Assistance** – Government will assist the Host Institutes of recognized incubators with an Operating Grant to be calculated based on number of startups incubated in a year. A transparent scheme will be formulated and announced.
  - **Support to Human Capital Development Programmes** – To create an innovation pipeline and entrepreneurial talent, Human Capital Development is envisaged under this Policy under section 3. These programmes may be executed through the recognized Incubators and 10% of the approved programme cost would be paid as Programme Implementation and Monitoring Fee.
  - **Corporate Social Responsibility of PSU's** - In order to strengthen the startup ecosystem in the state, CSR Funds of State PSU's will be utilized to create corpus funds at incubators in compliance with the New Companies Act 2013.
  - **Reimbursement of paid Stamp Duty and Registration Fee** – Incubators and Host Institutes shall be eligible for 100% reimbursement of the Stamp Duty and



## GOVERNMENTAL POLICY

Registration Fee paid on sale/ lease deeds on the first transaction and 50% thereof on the second transaction

- **Patent Filing Cost:** The cost of filing and prosecution of patent application will be reimbursed to the incubated startup companies subject to a limit of Rs. 2 lakh (0.2 million) per Indian patent awarded. For awarded foreign patents on a single subject matter, upto Rs. 10 lakh (1 Million) would be reimbursed. The reimbursement will be done in 3 stages, i.e., during filing, prosecution and award.
- Incubator Projects that has a capacity to create a minimum of 1000 startups in five years will be deemed as nodal incubators and eligible for the following additional benefits; In case of Government-owned buildings leased to technology incubators, no lease rent or O&M charges will be levied for a period of five years or until the incubator is self-sustainable, whichever is earlier. In case where private premises are taken on lease / rent basis, a rental reimbursement @ Rs. 5 per sq.ft per month or 25% of the actual rent paid, whichever is less, shall be reimbursed for a period of 3 years. This shall be limited to the incubation space only.
- An investment subsidy of 20% of the value of the Capital Expenditure, other than land and building, shall be provided to Incubator Projects that enter into a MoU with the state within 2 years of notification of the Policy. This subsidy shall be limited to a maximum of Rs. 5 Crores.
- Subsidies or monetary support given by different government departments, both state and central, under their existing schemes for new units shall be in addition to the above monetary support.
- **Training Assistance:** For every employee recruited by a startup within a period of three years of incubation, an amount of Rs 25,000 per employee per year shall be provided for training.
- **Performance-linked grant for startups:** Startups that record a year-on-year growth rate of 15%, as per audited accounts, shall be eligible to get a grant of 5% on Turnover, subject to a limit of Rs.10lacs within a period of three years from the date of incubation.
- All monetary support for startups and incubators as mentioned in section 5 above shall be administered by Technopark Technology Business Incubator (T-TBI). The supports shall be provided in a time bound and transparent manner.

**K**TU will set up a policy incubator where various policies will be discussed, debated and will be put under pilot testing mode; these policies will be related to student startups in general and other similar areas. The policy incubator will hold dialogues, discussions, and conferences to assemble wider perception and learn from best practices. It shall then develop the next practices for student entrepreneurship across state university systems. KTU's startup policy aims at generating 10000 student startup ideas every year. KTU's Policy aims to achieve the following by year 2020;

- Create more numbers of Indian owned Global Technology companies based out of Kerala
  - Encourage/Facilitate/Incubate at least 1000 technology product startups
- Out of these, the policy aims to help convert 1000 start-ups into proof of concept and eventually, lead 100 of these student startups into successful and scalable enterprises. The policy aims at encouraging enterprises, which serve social and economic needs.

## Academic Policy

- The incubation policy will cover incubation facilities for all students and alumni, irrespective of their streams.
- KTU will create indicators to measure and rank all the departments and colleges. The Annual Student Start-up Index will put equal stress on process and output driven indicators along with structures and outlay driven indicators. KTU will create an easily understandable ranking system, including the Student Start-up Index, in accordance with the accreditation systems in India and the world to help colleges to move towards accreditation. This would include the work and the outcomes in student start-ups/ faculty ventures, patent / IPR/ tech transfer, besides the usual academic and outcome-based criteria. KTU will work with the institutions to build special ecosystems at all the campuses.
- KTU will bring pedagogical interventions like permeating design thinking into the entire syllabi of all its courses, and innovation and entrepreneurship programs in practice mode. KTU will facilitate start-up processes by seamlessly integrating the incubation value chain into the academic programs in order to have early exposure of incubation value chain to potential student start-ups.
- A student or a Faculty Member will also be permitted to apply for approval of a special elective, designed especially by the student or the Faculty Member. This will permit the student-entrepreneurs of scalable start-ups to opt for special elective

subjects on innovation, entrepreneurship and/or other relevant subjects, as required by these budding entrepreneurs.

- All the colleges under KTU should provide core infrastructure like 5000 sq. ft floor area at their own colleges for entrepreneurship activity. Fully furnished and ready to use Plug and Play Infrastructure along with Computers with not less than 100 MBPS internet connectivity, electricity, water, security and other office facilities would be provided as infrastructure support by the colleges to setup incubators. Enterprise Software & shared hardware, individual accommodation, hostel rooms, common facilities centers (Warehouses, Storage facilities QA/QC labs etc) should be provided by the college. Common facilities such as testing labs, design studios, community events and promotional support for incubators and startups etc. should be setup by clusters of different colleges at Nodal Incubator Centers and to be shared by all incubators. Each college can avail the services of successful entrepreneurs from the state to setup required high tech labs and testing facilities. All colleges will be encouraged to develop specified Common Minimum Infrastructure and host Common Minimum Activities as specified by the University.
- Final year students of KTU will be required to take a practical problem applicable in real life, and solve it as a part of academic curricula through their final year project. The students, who have completed the best of such projects and who want to convert their projects into products/services and want to set up start-ups, will be supported through incubators at various colleges. The college should extend training and basic facilities to help its innovators file patent applications.
- Patent Search and Analysis Report (PSAR) is introduced with the objective of avoiding repetitive kind of projects. In this activity each student of 7th Semester B.Tech is asked to study at least 5 patents related to his/ her project and has to prepare Patent Search and Analysis Report (PSAR). Patent Drafting Exercise (PDE) is introduced for students of final year B.Tech. Every team of students is asked to draft provisional patent documents for their final year project considering its Innovativeness & Patentability. All students are taught about provisional patent drafting, filing procedure (for various patent filing forms), steps & fees and other required details.
- Final Year students develop their projects usually in groups of 2-4 students from a similar discipline. KTU will permit inter-disciplinary projects and such teams may consist of students from more than one branch of Engineering. For such a project, there will be a faculty Guide from each of the concerned departments and the guides will work together to support the project.
- Students may be permitted to develop their ideas and their products at External Incubators / companies, if these entities, have been certified by KTU. Wherever the syllabi require the students to make presentations and/or give seminars, students may be permitted to make their presentations at the Open House and present their project seminars where they are working for their project. The mentors from Incubator / Companies can act as an external project/thesis Guide. In such a case, the Incubators / Companies will be required to furnish full information about the project and the students along with the names of the Mentors for the Project to the University, the Principals of the Colleges and to the HODs in the Colleges, within three weeks of the start of the semester.

- If a College wants to use some of the Massively Open On-line Courses (MOOCs) as a part of the syllabus, Colleges will be advised to choose appropriate online courses (MOOCs) as electives and apply to the University, under the existing academic regulations. Student can choose various minor projects, MOOC based certification programs, assignments in place of regular assignments in particular subjects, under internal evaluation by a Faculty Member, assigned by the Principal of the College. KTU will facilitate start-ups by its alumni (within normally 3 years of graduation).
- Alumni Startup candidates will be selected by the College on the basis of an intensive review of each project submitted for this scheme. The selected candidate will be required to function from a College Incubator on day-to-day basis and may be required to mentor various start-up related programs for the College.
- Student Start-ups or Alumni startups (within 3 years of graduation), which have made an extraordinary impact and which had an early stage connection with College Incubator will be given suitable recognition/citation/awards for their achievements.
- KTU will create a collaborative online platform for linking student start-ups so that they may be able to share their challenges, to link with suitable mentors and to catalyze cross pollination of innovative ideas and to leverage complimentary resources and skill sets.
- KTU permits the concept of Student Entrepreneur in Residence. Students will be permitted to apply for grant of official leave of one year at a time for entrepreneurial initiatives during their study. Outstanding students who wish to pursue entrepreneurship can take a break of one year, after the second year, to pursue entrepreneurship full time. Thus a student will be eligible for award of a 4-year degree only if he is able to complete all the requirements of the degree within 6 years since his joining the program of study. This period of six years will include the leave of entrepreneurship. The necessity of the scheme is evident from the fact that even though this can be done even now, our society is still not ready for facing failure. An approved scheme by the University would allow the parents to be comfortable and confident. The Gap Year facility ensures syllabus continuity at the time of joining back and after an appraisal process by an incubator where the student is attached.
- A special scheme of faculty up-gradation is introduced. The Government would support enhancing infrastructure at universities to train the faculty for promotion of innovation. A pilot scheme shall be introduced for College or University professors who work along with students at an incubator to move out and pursue entrepreneurship for a specified time and on failure will be allowed to join back.
- Students are permitted to undertake their Industrial Seminar, Project Seminar and Industrial Visit at State level Technology Business Incubators where the additional facilities are being setup.
- In order to promote education in hardware manufacturing and creating prototypes of hardware products, mini-fablabs at incubators should be provided by the college for creating derivative labs as these are machines which can create more machines.
- Student entrepreneurs working on a startup idea even from the first year of college may be permitted to convert their startup project as their final year project towards degree completion. Mentors assigned by Incubators may be involved in the conduct

of Viva Voce. Project reports certified by the Incubators may be sent back to the respective colleges for forwarding to university.

## **Activity Policy**

- Every KTU program will dedicate a few hours of its academic time where students and teachers will pursue certain activities for inculcating and strengthening the spirit of entrepreneurship. Every week two hours are set apart for student activities including entrepreneurship. The Colleges and the Departments will have a choice of building such activities according to the local environment. But, the impact of every activity/process will be required to be benchmarked by every college and its departments, semester-wise.
- KTU will recommend to all its colleges to at least nurture ten student start-ups. Each college will thus help at least one of their student start-ups to emerge, to grow and to scale every year through the help of all the resources in its campus.
- KTU will continue to organize and continuously improve its practices in IPR to help young start-ups in IPR related issues. University will create a network of attorneys that will guide and help potential student patentees along with other private firms and agents.
- College Level Entrepreneurship Development Clubs (Bootcamps) will be established through incubators to foster innovation and entrepreneurial spirit at the school and college levels.
- KTU will regularly host startup-related national level dialogues, workshops and conferences to benchmark its own progress and help create futuristic policies and action strategies to promote Innovation and student start-ups in Colleges.
- KTU will celebrate an annual “Entrepreneurship & Start-up Day” in all the College, jointly with the annual Poster Exhibition for Final Year projects.
- KTU will provide common facilities for operations such as legal, accounting and basic administration.
- KTU will also attempt to provide basic common minimum tools and facilities that a good number of startups, if obtaining them for multiple users turn out to be cheaper and on demand. These may include server space, online tools such as team collaboration, etc.

## **Financial Policy**

- KTU will set up its own fund or set up a fund with support from multiple stakeholders and create Prototype Fund that will help very early-stage startups.

KTU will financially support the individual college TBIs and student projects based on merit within the availability of funds.

- KTU will also work with state banks and other financial institutions to set up a student startup angel fund in suitable format. This will support the best spin offs across campuses at university level in hassle free manner.
- KTU will create linkages with external angel networks, incubators, TBIs and help link suitable spinoffs to them to help student start-ups wherever in need on a real time basis.
- KTU will work with various venture and angel fund groups and governmental institutions to help students obtain seed funding at their early stage of inception when the students are found to have a Minimum Viable Product (MVP).