



Government of Madhya Pradesh

**Madhya Pradesh Startup Policy and
Implementation Scheme
2022**



Department of Micro, Small and Medium Enterprise

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Government of Madhya Pradesh
Department of Micro, Small and Medium
Enterprises MP Start-up Policy and Implementation
Scheme, 2022

1. Introduction

Madhya Pradesh is the second largest state in the country in terms of area and is in the category of leading states in economic development. Investment friendly policies of the State Government, simplification of the processes related to industry and business sector, significant efforts in developing economic and social infrastructure have resulted in growth of investment climate in the State in the past years. It has been the endeavor of the State Government to generate maximum employment for the local youth of the State through innovation and entrepreneurship. The first Start-up policy in this series was implemented by the state in the year 2016. Keeping in mind the dynamics of the Start-up sector, the new Start-up policy was again implemented in the year 2019. In the dynamics of Innovation and Start-ups, changes in the global economic environment, regulatory amendments, New Education Policy of the Government of India and Start-up ranking of states and above all a policy to fulfill the objectives of AatmaNirbharBharat Abhiyan and AtmaNirbhar Madhya Pradesh Roadmap 2023, another review has become necessary. Therefore, with the objective of making the Start-up Policy more holistic, inclusive, integrated and effective, it has been decided to implement "MP Start-up Policy and Implementation Scheme-2022" by the State government.

The State Government has made special efforts to inculcate the spirit of innovation and start-up among the students from the school/college level under the new policy. Integrated arrangements have been made for effective adoption of the provisions of the policy by various departments of the government for comprehensive implementation of the policy. The objective is to provide Institutional support, Ease of doing business, basic infrastructure, supporting procurement policy, marketing, and other promotional support to the Start-ups, not limited to just financial assistance. A notable aspect of the policy is inclusion of special fiscal and non-fiscal

incentives to encourage product-based start-ups.

2. Objectives

The main objectives of the Start-up Policy and Implementation Scheme 2022, in the state: -

- i. Development of Start-up ecosystem through positive interventions and other catalytic programs.
- ii. To achieve 100% growth rate in start-ups registered and recognized in Startup India, Government of India.
- iii. To achieve 200% growth rate in start-ups in Agriculture and Food Sector registered and recognized with Startup India, Government of India.
- iv. Increase in the number of product-based start-ups.
- v. Establishment of new incubation centres and capacity expansion of existing incubation centres.
- vi. Special programs to inculcate the spirit of innovation and start-up among students from school/college level.
- vii. Developing a culture to solve economic and social problems through innovation and start-ups.
- viii. To achieve higher ranking in the State Start-up Ranking Framework of the Government of India.

3. Policy focus area -

To achieve the objectives, the policy focuses on following five pillars -

- i. Institutional Support including Ease of Doing Business.
- ii. Promotion of product-based start-ups.
- iii. Promoting innovation and entrepreneurship.
- iv. Marketing support.
- v. Financial and non-financial assistance.

4. Operative period of the Policy

This policy shall remain in force in Madhya Pradesh for a period of 5 years from the date of its notification, or until it is replaced by another policy, whichever is earlier.

5. Definitions

- 5.1 **"Start-up"** means an entity which is recognized by Startup India under the Government of India, Ministry of Commerce and Industry Department of Industry Promotion and Internal Trade, and is established and registered in the State of Madhya Pradesh.

Start-up promoted by the woman shall be one in which her stakeholding should not be less than 51%.

- 5.2 **Product Start-up** means a start-up which manufactures a product which has a physical shape.

- 5.3 **Incubator** means an organization designed to support start-up units during their early stage that helps them to develop a scalable business model through commercial support, resource and service.

- i. The incubator is a legal entity, which includes;
 - a. a society registered under the Societies Registration Act 1860 or
 - b. a trust registered under the Indian Trusts Act 1882, Or
 - c. a private limited company registered under the Companies Act 1956 or the Companies Act 2013, or
 - d. a statutory body formed through a legislative act .
- ii. There should be a seating arrangement for at least 20 persons in the incubator.
- iii. The Incubator shall appoint a full time executive head with an experience in Business Development & Entrepreneurship, who will be assisted by a competent team, which will guide the startups in testing & validation of ideas and also support

the startups with Finance, Management and Human Resource related activities.

iv. Only Start-ups will be able to incubate/work in the incubation Centre.

v. It is mandatory for the incubators to be established / operating in Madhya Pradesh.

5.4 **Technology Business Incubator (TBI)** means an undertaking of universities, public research institutions, local government and private institutions, working to promote and support a new technology enterprise.

5.5 **Host Institution** means any Engineering College, Higher Education Institution, Industrial Establishment/Smart City Companies and other Society/Special Purpose Vehicle(s) located in Madhya Pradesh.

5.6 **Trade Receivables Discounting System (TReDS) Platform** means the Trade Receivables Discounting System as defined by Reserve Bank of India and approved institution for the purpose.

5.7 **State Level Start-up Empowered Committee** means the committee constituted under the chairmanship of the Chief Secretary for screening and selection of start-ups under the State Innovation Challenge and for smooth implementation and supervision of the policy.

5.8 **State Level Assessment / Evaluation Committee** means the committee constituted under the chairmanship of the Principal Secretary of the concerned department for the evaluation of the selected start-ups under the State Innovation Challenge.

5.9 **State Level Assistance Committee** means the committee constituted under the chairmanship of the Principal Secretary/Secretary Department of Micro, Small and Medium Enterprises to approve the benefits of the facilities provided under the policy.

6. Support and Assistance to Start-ups and Incubators –

Institutional, marketing, financial and business facilitation are the pillars to develop the Start-up and Incubators ecosystem and provide them with the necessary support. The state government is determined to make the state an investment destination for Start-ups, especially Product-based start-ups, through these pillars.

6.1 Institutional Support -

6.1.1 Establishment of Madhya Pradesh Start-up Centre–

Establishment of Start-up Centre with subject matter experts under the patronage and aegis of Madhya Pradesh Laghu Udyog Nigam (MPLUN) for facilitation and providing necessary support to start-ups in the state, also providing an institutional platform and providing them with ample opportunities in global and local market/events/workshops etc. The centre will act as a dedicated agency for promoting, strengthening and facilitating the start-up ecosystem in the state.

• Objectives and Scope of Start-up Centre:-

- i. Guiding and assisting Start-ups of the state.
- ii. Coordinating/continuous liaison with various departments of the State Government for necessary approvals for smooth functioning of the ecosystem.
- iii. To resolve grievances relating to any approval/promotion and any other issues in the prescribed manner.
- iv. It can review the start-up ecosystem of the state and make necessary recommendations to the state government.
- v. The centre aims to make Madhya Pradesh a self-reliant start-up and innovation hub by promoting an innovation driven start-up ecosystem with the objective of creating and supporting entrepreneurship, and innovation in the state.
- vi. The centre will facilitate to pitch/ showcase their services/products across various investments, market and other related platforms to encourage startup/innovative entrepreneurship. It will also help in providing mentorship

support and raise capital/other financing from required investors from angel investors/corporate investors/other funding agencies registered with SEBI/RBI/other competent authorities.

- vii. Preparation of master database.
- viii. To provide guidance and support to the start-ups in resolving the problems faced by them in the context of company and tax laws.
- ix. Organizing Boot Camps, Challenge Competitions, Road Shows and Investor Meets/Workshops within and outside the State.
- x. Will act as a single window agency for start-ups and incubators.
- xi. Pre-market study and evaluation.

• **Human resource arrangement for the proposed centre –**

➤ **Executive Head – 1**

➤ **Subject Experts - 3** (one each for Legal Affairs , Marketing & Financial and Project Management)

➤ **Associate Executive/Staff – 10**

The human resource requirement for executive heads and subject matter experts other than associate executives/staff will be met by professional experts working in this field. Salary will be provided to these posts as per prevailing market norms/emoluments. The estimated monthly salary of Executive Head will be Rs 2.50 to 3.00 lakh and that of subject specialist will be estimated as Rs 1.00 to 1.50 lakh. The arrangement of the above posts will be purely on contractual basis for a period of 3 years. This period can be extended for an additional year. Applications will be invited for these posts through advertisement in newspapers.

The provision of support staff will be made from the existing workforce working in the department and the corporations/institutions working under it.

- **Financial arrangement for the proposed centre –**

The financial arrangement for the operation and maintenance of MP Start-up Centre will be done from the internal restructuring of the Centre for Entrepreneurship Development Madhya Pradesh (CEDMAP) and Madhya Pradesh Laghu Udyog Nigam (MPLUN) and the departmental budget allocation available under the Start-up head. The amount allocated in the budget of the department for the Venture Capital Fund will be used for the establishment of MP Startup Centre and startup / innovation related activities.

6.1.2 Development of Robust Online Portal -

A robust online portal will be developed for start-ups in the state, which will act as a bridge for mutual connect among start-ups, investors, incubators and other stakeholders. This portal will be integrated with the Startup India portal of the Government of India. Start-ups and incubators in the state will be provided the benefits of all the provisioned facilities primarily through this online portal.

6.1.3 Academic Support & Participation -

In order to encourage start-ups, especially product-based start-ups and innovations in the state and to provide necessary technical guidance, they will get necessary support and participation from national and state level technical and management institutes/universities and other academic institutions. Madhya Pradesh Start-up Centre will seek as much cooperation as possible from MSME Technology Centre, Indore, and Bhopal, National Institute of Design Bhopal, IISER Bhopal, IIITDM Jabalpur etc, to provide the necessary high-tech machinery for the testing, research and development of the products envisioned by the startups.

Entrepreneurship development courses will be included in the curriculum in secondary, higher secondary and higher educational institutions. Brainstorming sessions and entrepreneurship related workshops will be organized regularly in these institutes. Internship will be encouraged to attract students towards entrepreneurship.

In order to make the students aware of the financial and non-financial facilities being provided by the government for starting start-ups, workshops for mutual discussion will be organized twice a year in collaboration with Start-up India.

6.1.3 Ease of Doing Business (EODB) –

For smooth operation of the start-ups and incubators of the state, they have to be facilitated to meet various regulatory requirements. Arrangement of post facto approval will be ensured for necessary permission/consent. Deemed Approval will also be given as per the provisions made in the Madhya Pradesh Public Service Guarantee Act, 2010 (as amended, 2020).

6.2 Marketing & Liquidity Support/Assistance -

Provisions will be made in the Madhya Pradesh Store Purchase and Service Procurement Rules, 2015 (as amended from time to time) for institutional marketing assistance to start-ups in the state as follows –

➤ Exemption from the conditions/parameters related to experience and turnover will be given to the start-up enterprises participating in the government tender up to Rs.1 crore. For government tender above Rs 1 crore, the concerned department can make provision for procurement of services/products separately from startups if it deems fit.

Proof of Concept for Start-ups will be accepted in the context of Tenders (NITs) / Request for Proposal (RFP) for service acquisition above Rs.1 Crore. Provided that there shall be no change in the conditions of quality of service or product and other essential qualifications under the aforesaid provision.

➤ All the Tenders (NIT) / Request for Proposal (RFP) of the State Government will be exempted from Security/ Earnest Money Deposit (EMD).

➤ Other –

State government corporations and key departments will be linked to the TReDS Platform (Trade Receivable Discounting System) authorized by the Reserve Bank of India as far as possible, so that the start-ups do not face liquidity crunch.

6.3 Financial Assistance

6.3.1 For Start-ups and incubators established in the state –

➤ **Assistance on investment received -**

For a start-up that has received funds/investments from a financial institution recognized by SEBI (Security and Exchange Board of India)/RBI Preferred Financial Institutions/Scheduled Banks/Alternative Investment Funds /Investment (Equity/Debt), assistance will be given at the rate of 15% maximum upto Rs.15 lakh of the first investment received. This assistance will be extended to a maximum of 15% each for a maximum of four stages over the life of the start-up {Department for Promotion of Industry and Internal Trade, Government of India as per the definition prescribed in February 2019(as amended from time to time)} i.e. the assistance received in this head during the entire lifetime of the startup will not exceed Rs.60 lakhs. The loan repayment period should not be less than one year.

In this context, in the 1st phase 33% or maximum Rs. 5 lakh shall be given as assistance to the incubators of Madhya Pradesh. The said support will be provided only to such incubator whose name is provided in the application given by the startup.

The start-ups helmed by women entrepreneurs shall be given additional 20% of 15% capital assistance on the total amount of investment they receive under the policy. This extra fund shall increase the capital assistance for women entrepreneurs to 18% of total amount of investment subject to maximum of Rs.18 lakhs and a maximum of Rs72 lakhs in four phases. All other terms and conditions shall remain unchanged.

➤ **Event Organizing Assistance** – Assistance of Rs. 5 lakh per event to incubators located in Madhya Pradesh for organizing events related to start-ups not exceeding Rs. 20 lakh per annum. The State Level Assistance Committee shall approve the fund on the recommendation of MP Start-up Centre.

➤ **Incubation Upgradation Assistance** - One time assistance of Rs.5 lakhs for the up-gradation of Incubators shall be given, however to avail this facility each Incubator shall have to increase its existing seat capacity by an additional 20% or minimum 2 new start-ups

should be given working place. This facility shall be available only once in the entire lifetime of the incubator.

➤ **Lease Rental Assistance** – 50% up to a maximum of Rs. 5000/- per month lease rental assistance for three years, on the rent paid per month for the workspace taken on lease by the startups. The said assistance will also be available to the product-based startups set up in industrial areas/parks/clusters owned or aided by the State Government, on the lease rent and maintenance charges paid by them on the plot/shed/constructed space taken on lease. Provided that the said assistance shall not, under any circumstances, exceed 50% of the amount paid in the above items, subject to a maximum of Rs. 5000/- per month and for a period not exceeding three years.

➤ **Patent Assistance** - Maximum assistance of Rs.5 lakh on actual expenditure for obtaining a patent subject to the condition that the patent is obtained for a start- up established in the state.

6.3.2 Special financial assistance and support for product-based start-ups

- Concurrent License/Consent facility for one year.
- Facility to use the required machine in MSME Technology Centre, Bhopal and Indore.
- **Training Expenditure Reimbursement** – In view of the need of technical and skilled workers to start-ups, the assistance of reimbursement of expenditure for skill development and training will be given to a maximum of 25 employees of Rs 13000 per year per new employee for maximum period of three years. This assistance will be available only to the employees domiciled in Madhya Pradesh.
- **Employment Generation Assistance** - All the new employees appointed by the employer in the product based start-up unit in the first three years from the date of commencement of commercial production will be eligible to get the benefit of assistance of Rs.5000 per employee per month. The assistance period will be maximum 3 years and will be given to maximum 25 employees only. This assistance will be limited to a period of 5 years from the date of commencement of commercial production in the unit. This means that the new employee appointed in the third year will be eligible for

employment generation assistance for the next two years from the date of his appointment. The said assistance will be subject to the following conditions:-

Sr. No.	Time Period	Minimum average percentage of employment available to the natives of Madhya Pradesh out of total employed employees from the date of commencement of unit production
1	within 1 year	50 %
2	within 2 years	75 %
3	within 3 years	90 %

If the above condition is not fulfilled, the employment generation assistance being provided to the unit will be deducted proportionately.

- **Exemption on Electricity Duty** - All eligible new units having new electricity connection shall be exempted from electricity duty for 3 years from the date of connection.
- **Concession in Electricity Tariff** - Supply of electricity in the project on new electricity connection at a fixed rate of Rs.5 per unit for 3 years from the date of commercial production in the unit.
- The benefits of the facilities provided in the prevailing MSME Development Policy, will be available subject to the conditions.

6.3.3 Financial assistance / non-financial assistance under the State Innovation Challenge –

Special Financial Assistance will be provided to the selected concept for redressal of four high-impact economic-social problems of the state. For this, concepts will be invited from all types of institutions (including Start-ups) and they will be circulated to all the concerned departments for their views. The concepts on the recommendation of the departments will be placed before the Screening/Selection and Empowered Committee constituted in this context under the

chairmanship of the Chief Secretary. The committee will select four best concepts based on the specificity, merits and demerits of the above concepts and problem-solving ability. For evaluation and monitoring of selected start-ups, a State Level Evaluation and Monitoring Committee will be constituted under the chairmanship of the Principal Secretary of the concerned department. The nature of assistance will be as follows –

- Grant up to Rs.1 crore, which will be provided in maximum four phases or as decided by the competent committee for this purpose. Theselected start-ups will be assessed, monitored and evaluated by the competent committee on the basis of the work done by them.
- Exemption or reimbursement and ex-post facto clearance from all necessary license/consent charges. The maximum limit of this assistance will be Rs.5 Lakh.
- Procurement Assistance in state for two years. If found suitable, the provisions of Madhya Pradesh Store Purchase and Service Procurement Rules, 2015 (with amendments from time to time) can be relaxed.
- Utilization of facilities, office space and meeting arrangements with office support available in Atal Bihari Bajpai Institute of Good Governance and Policy Analysis, Bhopal.
- If a product-based start-up is selected, then it will also be able to get the benefits of the facilities provided for product-based start-ups in the policy.

7.Procedure & Guidelines

Start-ups and incubators will be provided the benefits of the facilities provided under the policy as per the attached procedure and guidelines.

8.The Powers to amend / relax / repeal -

Subject to the provisions under the policy, Government of Madhya Pradesh, Department of Micro, Small and Medium Enterprises at any time –

- 8.1** Can amend or repeal this policy.
- 8.2** Can relax the provisions of this policy.
- 8.3** May issue directions/clarifications/guidance to clarify the provisions of the policy.
- 8.4** The Madhya Pradesh Start-up Policy, 2019 shall become ineffective from the date of coming into force of this policy.

9. Jurisdiction

In case of any dispute, the jurisdiction shall be within the State of Madhya Pradesh.

Note : This document is English translation of “*Madhya Pradesh Startup NitiEvam Karyanvayan Yojna, 2022*” (Hindi Version)