



## Concerns with 'Start-Up India'

### What is the issue?

\n\n

Fund allocations made under the Start-up India initiative show that the ambitious scheme is far from being a success.

\n\n

### What is the Start-Up India plan?

\n\n

\n

- The start-up fund of funds was launched some three years ago by the Prime Minister to help early-stage entrepreneurs.

\n

- The objective was to create a lively ecosystem for entrepreneurs.

\n

- It aimed at making allocations to start-ups to be routed through venture capital firms.

\n

\n\n

### How has it performed?

\n\n

\n

- Despite the gaps, there is a growing number of unicorns (start-ups reaching a valuation of \$1 billion or above) in India.

\n

- Eight of them became unicorns in 2018, which was the highest addition in a single calendar.

\n

- India is the third-largest start-up destination with an estimated 7,700 tech start-ups.

\n

\n\n

## **What does the recent estimate show?**

\n\n

- \n
  - The recent estimates on the scheme were given by the Small Industries Development Bank of India (SIDBI).
  - \n
    - SIDBI manages the fund of funds for the Start-up India.
    - \n
      - It has so far committed Rs 1,900 crore, which is less than 20% of its Rs 10,000-crore corpus to venture capital firms.
      - \n
        - This is an indication that the government has fallen short on delivering its promise.
        - \n

\n\n

## **What are the policy shortfalls?**

\n\n

- \n
  - Not just Start-up India, other initiatives such as Make in India and Swachh Bharat have not been fully successful despite their potential.
  - \n
    - While business and politics often go hand in hand, schemes such as Start-up India should have had a clear vision and goal.
    - \n
      - For Start-up India, the focus should have been on nurturing innovation as well, rather than just on disbursing money.
      - \n
        - The idea of just a money bag without any attention to innovation is out of sync with entrepreneurship.
        - \n
          - Besides this, the Central Board of Direct Taxes (CBDT) recently asked start-ups to pay the angel tax based on the valuation of firms.
          - \n
            - This has adversely hit the mood in the sector, despite assurance of no coercive action till the matter is looked into by an expert committee.
            - \n
              - Also, the government proposal to stop cashback and deep discount sales by e-commerce firms has added to the overall gloom.
              - \n

- As large number of new start-ups could get into the e-commerce space, this decision acts against the spirit of entrepreneurship.

\n

\n\n

## **How is it elsewhere?**

\n\n

\n

- In other leading start-up destinations such as the UK, Israel and the US, institutional backing comes with the right focus on cutting-edge research and innovation.

\n

- For instance, in the US, the federal government does not usually offer grants for starting or growing a business.

\n

- It, instead, plays an active role in technology development among other areas.

\n

- In addition, business grants are available through state or local initiatives.

\n

\n\n

\n

- Also, there are competitive awards-based programmes, encouraging small businesses to pursue R&D projects potential of commercialisation.

\n

- India should now make a revised assessment of the scheme to capitalise on its true potential.

\n

\n\n

\n\n

**Source: Business Standard**

\n



# IAS PARLIAMENT

*Information is Empowering*

A Shankar IAS Academy Initiative