



## The economic impact of Start-Ups

### What is the issue?

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- Start-ups with innovative tech savvy ideas are aplenty off late.
- But the impact on the economy & their sustainability isn't as significant as is being touted.

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### Can start-ups really impact the economy?

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- Some folks assert that currently start-ups are India's hope to stimulate employment and spur national economic growth.
- Digital technologies are disruptive and important.
- Some of them will surely impact India's health care and education access issues in the long run.
- However, it is unwise to expect nascent start-ups to shift the national metrics significantly in the near future.

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### Why aren't Start-ups the hype they are made out to be?

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- Start-ups are abnormally growing corporate organisms.

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- They are rooted to short-lived impatient capital and inexperienced entrepreneurs slugging it out with venture capital money.  
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- The craze is mainly being fuelled by the emerging hippy attitudes and the availability of investors in plenty.  
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- At least in India, Start-up ecosystem comprises largely of copycat firms, most being unstable and unsustainable.  
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### **How is this a new trend?**

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- Even a decade ago, investments weren't all that easy to come by and start-ups were rarer but with more concrete ideas.  
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- Hence, the "old start-up" companies like Infosys and Bharati, spent hard-won investor's money frugally to prove their business model before undertaking rapid growth.  
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- Three decades ago, even during their infancy, these companies grew credibly with revenue, cost and profit surplus.  
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- On the contrast, current start-ups measure performance through unintelligible metrics such as gross merchandise volume, app downloads and merchants on the platform.  
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- The output numbers that we see at present are mere valuations of and not their business performance.  
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### **How is the craze affecting public policy?**

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- The inexperienced start-up entrepreneurs are called upon to advise on the nation's economic policies.  
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- Policymakers should indeed listen to entrepreneurs but it would be more prudent to listen to those who have a record of solving real consumer

problems and generating jobs.

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- A small number of today's start-ups will indeed get there, but the time frame will be a decade or more.

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### **What is the way ahead?**

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- Young entrepreneurs need to be experimental and bold.
- We need start-ups that eventually mature with a strong standing.
- But the current focus should be on the prime movers of the economy to address issues at hand.
- In the next decade and more, economic growth and job creation require renewed industrial investment and a revival of agriculture.
- These are the sectors where the cycle of production and consumption is based on real revenue generation.

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**Source: Business Standard**

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