Concerns with 'Start-Up India'

What is the issue?

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

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What is the Start-Up India plan?

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- The start-up fund of funds was launched some three years ago by the Prime Minister to help early-stage entrepreneurs.
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- The objective was to create a lively ecosystem for entrepreneurs.
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- It aimed at making allocations to start-ups to be routed through venture capital firms.
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How has it performed?

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- Despite the gaps, there is a growing number of unicorns (start-ups reaching a valuation of $1 billion or above) in India.
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- Eight of them became unicorns in 2018, which was the highest addition in a single calendar.
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- India is the third-largest start-up destination with an estimated 7,700 tech start-ups.
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What does the recent estimate show?

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- The recent estimates on the scheme were given by the Small Industries Development Bank of India (SIDBI).
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- SIDBI manages the fund of funds for the Start-up India.
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- 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.
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- This is an indication that the government has fallen short on delivering its promise.
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What are the policy shortfalls?

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- Not just Start-up India, other initiatives such as Make in India and Swachh Bharat have not been fully successful despite their potential.
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- While business and politics often go hand in hand, schemes such as Start-up India should have had a clear vision and goal.
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- For Start-up India, the focus should have been on nurturing innovation as well, rather than just on disbursing money.
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- The idea of just a money bag without any attention to innovation is out of sync with entrepreneurship.
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- Besides this, the Central Board of Direct Taxes (CBDT) recently asked start-ups to pay the angel tax based on the valuation of firms.
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- 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.
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- Also, the government proposal to stop cashback and deep discount sales by e-commerce firms has added to the overall gloom.
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- As large number of new start-ups could get into the e-commerce space, this decision acts against the spirit of entrepreneurship.
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How is it elsewhere?

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- 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.
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- For instance, in the US, the federal government does not usually offer grants for starting or growing a business.
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- It, instead, plays an active role in technology development among other areas.
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- In addition, business grants are available through state or local initiatives.
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- Also, there are competitive awards-based programmes, encouraging small businesses to pursue R&D projects potential of commercialisation.
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- India should now make a revised assessment of the scheme to capitalise on its true potential.
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Source: Business Standard

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