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.
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- 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.
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- Digital technologies are disruptive and important.
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- Some of them will surely impact India’s health care and education access issues in the long run.
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- 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.
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- We need start-ups that eventually mature with a strong standing.
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- But the current focus should be on the prime movers of the economy to address issues at hand.
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- In the next decade and more, economic growth and job creation require renewed industrial investment and a revival of agriculture.
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- These are the sectors were the cycle of production and consumption is based on real revenue generation.
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Source: Business Standard

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