Start up in India, stand up in Singapore

STREET FOOD

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The government's start-up action plan has kindled hopes of the young and restless entrepreneurial community in the country. Several game changing measures including a three-year tax holiday and exemptions from provisions of some cost-escalating laws.

There were some rehashes from the 'ease of business' campaign such as insolvency law, easier registration process etc, and some Pranab Mukherjee era Budget dinosaurs such as state-run venture funds getting some 'start-up' lipstick. Despite all the incentives, the start-ups' mega event fell short of expectations.

At least, people involved in discussions with the government and regulators feel so. In a mail, an ISpirt representative said only 11-12 of the 34 problem areas that need policy and regulatory changes by the Ministry of corporate affairs, Reserve of Bank of India, Department of Industrial Policy and Promotion and other bodies have been addressed. There are promises on another dozen; the rest have not been touched at all on the working Saturday.

As long as all are not addressed, in all likelihood, many start-ups will continue to be domiciled outside India. That is not good for the stock markets and local investors here. Companies domiciled outside India are likely to get listed in overseas markets and small investors are unlikely to get access to these new-age wealth creators. This is the reason why despite several relaxations in the initial public offering framework by the Securities and Exchange Board of India, not many tech start-ups have gone for listing locally.

This, in turn, beats the point of whatever sops that have been announced and raises disturbing questions. If a majority of start-ups are going to be in Singapore, who is going to exploit these thousands of crores of worth of incentives?

There are enough fly-by-nights who can tailor their outfits to suit government conditionalities, swallow the sops, and vanish. Let us not hope all the safeguards such as certification by investors and government panels work well. The numbers given by people involved in discussions with government suggest that about 75 per cent of the start-ups that received funding were domiciled in Singapore, up from about half the year before.

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The elephant in the room, which not many are very open about, here is the foreign direct investment (FDI) policy. It is no secret in the start-up world that people are getting domiciled abroad not because they are disqualified from bidding for government procurement contracts due to some random tender conditions.

They are there to circumvent policy restrictions that don't allow FDI in business to consumer (B2C) retail. It is well documented how they do it. And, much to the embarrassment of the government, came reports of DIPP telling the court that the policy was 'unambiguous' and it was for investigative arms to probe violations and act against violators. Subsequent 'incredible' spins put on how other parts of the submission supported e-commerce players helped confuse people for the time being and contained critics from going berserk ahead of the marquee event.

It is surprising that the only people who don't seem to understand these structures are the investigative agencies that have to act against the violations. Several probes began, but have gone nowhere.

But, doubts continue to linger. The ambivalent submissions by DIPP betrays the government's strategy to play a dangerous double game of banning FDI in B2C, but not cracking down on violators.

The options before the government seem limited. As much as it wants to woo start-ups, Modi and his party - sometimes dubbed as Baniya party - cannot afford to alienate its core constituency by fully opening up retail. More so, when it's at the mercy of a combative 10, Janpath to pass Bills in the Upper House.

Thus, the double game looks all set to continue. As long as it does, even if all the 33 other demands and more are met, start-ups will continue their own little double game: start up in India, stand up in Singapore.