Start-ups in a state over Karnataka's rules

Torn between complying with regulations and disrupting status quo with innovations

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Start-ups in India's innovation capital Bengaluru are chary about their survival in the wake of the stand-off between Uber, the world's most valuable start-up, and the Karnataka government.

While Uber is yet to comply with the On Demand Transportation Technology Aggregators Rules, 2016, implemented by the State government on April 2, it has also challenged some of the clauses of the Rules, which will be heard in court on June 20.
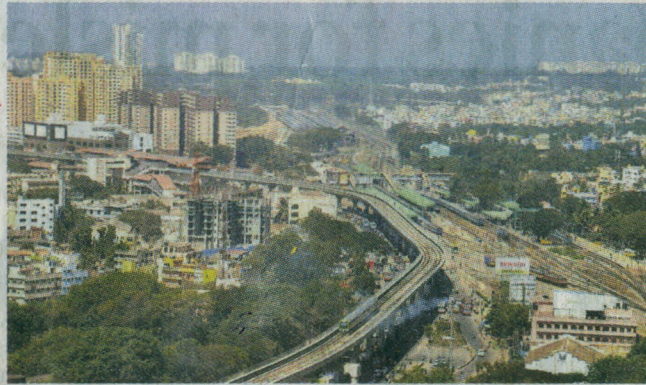
Disruptive products

"Start-up founders who are working on disruptive products, technologies and business models in areas of healthcare, carpooling, home-stays, e-commerce, food delivery, to name a few, are often concerned about how to best walk the tightrope between complying with current regulations and bringing to life innovations that disrupt the status quo," Ravi Guru-

raj, Chair – Product Council, Nasscom, told *BusinessLine* on the sidelines of a dialogue organised by Uber along with Nasscom on Wednesday night, where multiple stakeholders discussed whether the State government's On Demand Transportation Technology Aggregators Rules, 2016, are in line with new business models and technologies in the transport industry.

"I have had numerous questions wanting to know how best they can interact with government departments to help suggest reforms to existing policies to accommodate their innovations. For young start-ups, this is not an easy process and, where possible, we are glad to facilitate dialogue and interactions," Gururaj said.

Rahul Agrawal, co-founder and CEO of online furniture marketplace Mebelkart, which is registered in Delhi, but subsequently moved to Bengaluru to be part of the thriving start-up ecosystem, says the start-up faced a series of is-

sues in the registration process for payment of professional tax and ESI which took up a lot of its productive time.

"We are ready to pay taxes and follow regulations, however, they must be made less cumbersome and time consuming, and more efficient, so that we can continue to innovate to make life easier for the public" he told *BusinessLine*.

Shifting base

Like Mebelkart, many start-ups from all over the country have shifted base to Bengaluru to tap into the rich talent pool the city is home to, engage with industry mentors across domains, and be within striking range of VCs.

Fintech start-up ClearTax shifted base from Delhi to Bengaluru last year; Ola and Quikr relocated from Mumbai; Foradian Technologies from Kochi; and Stayzilla from Chennai.

Avinash Saxena, co-founder of social fashion platform Roposo, feels more regulations hinder progress as most often they are not up-

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dated. "Rules must be kept to the minimum, and made simple to implement, follow and update from time to time," he said.

Analysts say disruptive business models introduced by healthcare start-ups that help you order medicines online and food delivery start-ups that source home-cooked meals for office-goers may face the heat of regulations that are not updated to reflect the digital times that we live in.

Asked about disruptive business models introduced by start-ups such as Uber, TV Mohandas Pai, Chairman, Manipal Global Education Services, said, "Cities like Bengaluru must open up and allow players such as Uber and Ola to operate as long commutes is one of the biggest challenges in urban life. While some amount of regulation is necessary in the public interest, they should also be progressive and not stifle innovation. Uber has created thousands of jobs in Bengaluru and elsewhere in the country. The government should consider this while implementing regulations."

The government has made it difficult for Indian start-ups to sur-

vive and flourish here because of complex regulations. For instance, it's difficult to raise seed money through a convertible note. Due to these kind of difficulties, start-ups have been re-domiciling, shifting base to Singapore and the US, observed Sharad Sharma, co-founder of software product think-tank iSPIRT. On top of this, MNCs get more immunity from local regulations. "Uber didn't follow the two-factor authentication for 18 months, while Ola and Meru were forced to comply." We need a level-playing field for Indian start-ups.

For public safety: govt

Ramegowda, Commissioner for Transport and Road Safety, Karnataka, told *BusinessLine*, "The rules have been implemented to encourage these cab aggregators, not to stop them from operating. However, they must comply with the rules, which we have framed primarily keeping in mind citizen's concerns about exploitative surge pricing and other safety issues. We are also willing to meet them halfway to make amendments to the rules, wherever necessary."