

# U.S.-India Insight

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## Stand-up, Start-up: The Message Is the Means

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Since coming to office in May 2014, the BJP-led NDA government has attempted to channel attention to a few key economic initiatives by launching focused media campaigns. These campaigns are generally seen as heavy on intentions and optics, but they await the implementation of critical policy changes to ensure their success. However, the recent launch of the “Stand-Up, Start-Up” campaign, a series of policies to help entrepreneurs grow, is different. The value of start-ups and small businesses, and the challenges they face, gets far less attention in India than issues that impact bigger businesses. A focus on helping new businesses is fairly novel. Building awareness, even if related reforms take some time to enact, is actually progress to this group of businesses.

The Narendra Modi government is not lacking in its high-profile campaigns. The more prominent national campaigns include “Make in India” for manufacturing, “Smart Cities” to make India’s urban environments more livable, “Clean India” to improve a range of hygiene and sanitation factors, and “Digital India” to expand access to the power of the information age. However, some of the Modi government’s bigger reforms, such as launching transparent auctions for resources, coal reforms, reducing price controls on fuels, and liberalizing a series of FDI caps, are only tangentially related to these major campaigns.

Last year Prime Minister Modi first announced his intention to focus government efforts at helping start-ups succeed during his August 15, 2015, Independence Day speech. The government announced a targeted package of incentives on January 16, 2016, that are meant to help entrepreneurs and small businesses succeed. These incentives include simplified documentation, fast track patents, access to capital, various tax incentives, and programs to build out incubators and research parks. The government’s already tabled legislation to rationalize and expedite bankruptcies, the Insolvency and Bankruptcy Code, 2015, is also considered a key piece of the new legislative and regulatory framework to help budding businesses.

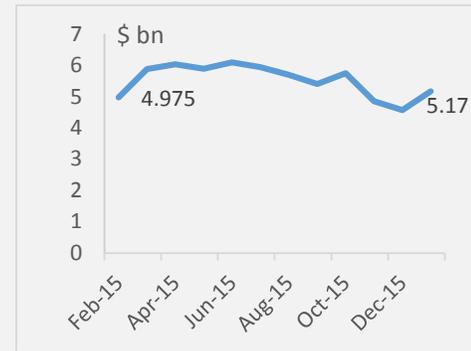
While policymakers in any nation may reflexively think of how policy changes may impact their large companies, in fact small businesses play a major role in the economy. In the United States, for instance, 64 percent of net new private-sector jobs are [created by small businesses](#). And small businesses account for about half of current payroll employees.

In India, of course, small businesses are critically important. But historically they have lived in a strange environment where they have remained outside of the government’s purview. Instead, they have been labeled as a part of the informal economy, forced to remain small as part of the government’s program to reserve certain industries for small businesses (the last vestiges of which were [removed](#) last year), or living under other incentives to stay small, with disincentives to grow. An example of this last type of policy includes the onerous labor laws of the “Industrial Disputes Act,” where if a firm has more than 100 employees, it is difficult to downsize. Many of India’s important “new” businesses are arms of existing corporate houses that expand into new fields. Social pressures magnify the difficulty for an individual to become an entrepreneur.

In launching the “Stand-Up, Start-Up” campaign, the Modi government is striking out into relatively new ground by highlighting this important group. Time will tell how many of the

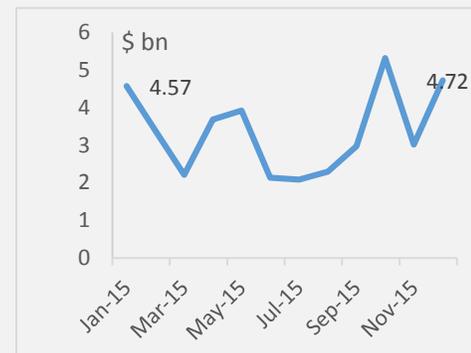
### KEY DATA

**-0.77%**



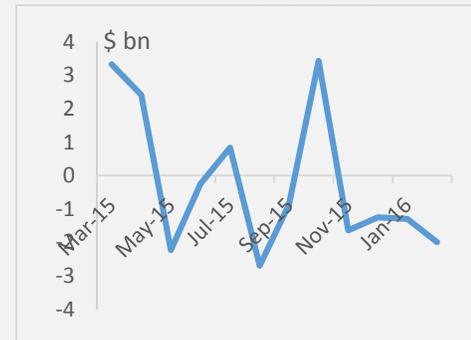
Increase in U.S.-India goods trade, 12-month average rate of change, per U.S. Census Bureau.

**+36.4%**



Increase in FDI, 12-month average rate of change, per RBI

**-104.8%**



Increase in FII, 12-month average rate of change, per NSDL.

regulatory changes and other programs announced as part of this initiative will come to fruition. Regardless, the value of start-ups has been articulated and highlighted more vividly than at any time in the past, which is perhaps just as important as any programs that may come out of the initiative. This may play a role, however early, in shifting mindsets toward embracing risk taking.

Clearly India is not without heroes when looking at entrepreneurial success. Names like Kiran Mazumdar Shaw, Azim Premji, H.R. Narayana Murthy, Sunil Bharti Mittal, among many others, stand out. But success has often been viewed as progress in spite of the government and not due to the support of the government, as often pointed out in the writings of noted business authors including Gurcharan Das. The Stand-up, Start-up campaign may prove to be a critical first step to strengthen the country's embrace of small businesses and entrepreneurs.

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