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**FROM START-UPS TO SCALE-  
UPS: WHY INDIA NEEDS GLOBAL  
CORPORATE CHAMPIONS?**

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## FROM START-UPS TO SCALE-UPS: WHY INDIA NEEDS GLOBAL CORPORATE CHAMPIONS?

### Context

- Recently Indian companies like Reliance Industries Ltd. (RIL) and Amul achieved distinct milestones, but **not enough to be globally dominant**, innovation-driven, and embedded in the highest-margin segments of the global economy.
  - RIL had become the first Indian company to cross \$10 billion in profits.
  - Amul had become India's first FMCG firm to hit a turnover of Rs 1 trillion.

### Start-ups in India: Key Features

- According to the **Department for Promotion of Industry and Internal Trade (DPIIT)**, over **1.6 lakh start-ups** have been recognised under the **Startup India initiative**.
- India is the **third-largest start-up ecosystem globally**, after the US and China.
- India has produced more than **100 unicorns** (start-ups valued at over \$1 billion).
- Fintech, edtech, e-commerce, SaaS, health-tech and deep-tech sectors have seen rapid growth recently.
- India lags in producing globally dominant firms, while it has succeeded in creating numerous start-ups.

### Global Comparison: India vs. Other Economies

- While India has fallen behind in making dominant global companies, it has excelled in generating many start-ups.

Parameter	India	USA	China	South Korea
Global Corporate Giants	Few	Numerous (Apple, Microsoft, NVIDIA)	Alibaba, Tencent, BYD	Samsung, SK Hynix
R&D Spending (% of GDP)	Less than 1%	~3.5%	~2.5%	~5%
High-margin Tech Firms	Limited	Extensive	Growing rapidly	Strong
Global Brands	Few	Strong global presence	Expanding	Established

- Unlike the United States and China, Indian firms are dependent on the domestic market. There is low capture of global value through brands, patents, and IP.

### Issues with Indian Start-ups

- Problem of Plenty:** India has lots of start-ups. But only a few make it to the list of globally competitive firms. There is an excess in terms of number but not scale.
- Orientation towards Domestic Market:** There is little market share and pricing power internationally since most firms focus on India's huge consumer base.
- Absence of firms in high-margin areas:** India has very few players in frontier technologies like semiconductors, Artificial Intelligence, manufacturing, and biotech.
  - Even today, global profits keep accruing to firms located elsewhere.
- Low R&D spending:** India spends less than 1 percent of its GDP on R&D, much less than other leading economies, hindering innovation.
- Lack of Patient Capital:** Deep-tech and research-based ventures require long-term capital. Venture capital in India is more focused on quick returns than on innovations.
- Regulatory and structural issues:** The compliance framework's complexity, factor market fragmentation, inflexibilities in land and labour, and regulatory uncertainty across states add to the costs of scaling businesses.
- Lack of integration into Global Value Chains:** While India takes part in Global Value Chains, it is mainly by exporting services and assembling. India does not own the technology, design, and brands.
- Social and policy perception of profits:** The Economic Survey of 2017-18 noted India's movement from "crony socialism to stigmatised capitalism". It implies that making profits is stigmatised in India.

- ◆ Such perception could be detrimental to investment sentiments and reforms.

### Why does India need Scale-ups and not Start-ups?

- **Productivity:** Big firms spread the fixed costs of R&D, technology, and compliance on a higher volume which reduces the unit costs.
- **Innovation:** Breakthrough innovation requires patient capital, manpower, risk-taking, and heavy R&D.
  - ◆ Large firms have all these capabilities.
- **Global Competitiveness:** The global giants have strong brands, IP, cross-border supply chain network, and pricing power.
  - ◆ All these capabilities help countries capture more value in global transactions.
- **Job Creation:** Firms with high revenue create direct jobs along with creating supplier eco-systems, logistics infrastructure, and associated industries.
- **Fiscal Impact:** Highly profitable companies contribute a lot of money through taxes. It helps strengthen the financial strength of the government for social expenditures.
- **Strategic & Technological Sovereignty:** In a time of technology race between countries, countries require domestic players in important domains like semiconductors, AI, green energy, and defence manufacturing.

#### Related Government Initiatives

- **Startup India (2016):** Tax incentives, self-certification, Fund of Funds.
- **Digital India:** Strengthened digital infrastructure and market access.
- **Production Linked Incentive (PLI) Scheme:** Encourages domestic manufacturing.
- **Atal Innovation Mission (AIM):** Promotes innovation and entrepreneurship.
- **National Deep Tech Startup Policy (under consideration):** Focus on frontier technologies.

#### Way Forward: Developing Global Giants of India

- **Increased R&D Spending:** Increase public and private R&D spending to at least 2 percent of GDP.
- **Deep-tech Eco-system:** Give long-term finance to AI, semiconductor, biotech, and advanced manufacturing ventures.
- **Strong Intellectual Property System:** Promote patent creation, monetisation, and technology transfer.
- **Make it Easy to Scale Up:** Reduce regulations and standardise policies of different states to reduce compliance costs.
- **Deep Integration into Global Value Chains:** From assembly to design, branding and technology control.
- **Create a Positive Perception About Enterprises:** The profits made due to competition and innovation should be seen as an essential requirement for growth, jobs, and national development.
- **Help in Global Expansion:** Diplomacy, trade and financial policies of the government should enable Indian firms to gain global market share.

#### Conclusion

- India has succeeded in developing a dynamic start-up ecosystem. The next phase of development, however, requires globally competitive firms with profit pools, strong brands, and technological supremacy.
- India needs to go beyond the success of unicorns and develop corporate champions which are comparable to Samsung, Apple, or NVIDIA to achieve the goal of Viksit Bharat 2047.

#### Daily Mains Practice Question

- [Q] Examine the structural challenges hindering the emergence of global corporate champions in India. Discuss why India needs such firms for achieving sustained economic growth and becoming a developed economy.

Source: IE

