

Innovation Challenge: Is IT Sector Ready: RSTV Big Picture

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What's in the news?

- Prime Minister Narendra Modi launched the Atma Nirbhar Innovation Challenge, inviting India's tech community to create an Atma Nirbhar App Ecosystem.
- The challenge will be regulated under the Ministry of Electronics & Information Technology along with the Atal Innovation Mission and [Niti Aayog](#).
- The challenge will run in two tracks:
- **TRACK 1--** Promotion of Existing Apps
 - The government will work in mission mode for identifying good quality Apps for the leader-board and shall be completed in around a month.
 - This will include existing apps and platforms in categories like e-learning, work from home, gaming, business, entertainment, etc.
- **TRACK 2--** Development of New Apps.
 - The Government will work to help create new champions in India by providing support in ideation, incubation, prototyping and roll out along with market access.

Background:

- This challenge is the need of the hour as Indian IT and ITeS (web-enabled services) industries have grown exponentially in the last ten to fifteen years and are serving the global market as well.
- From the last few years, technology has become more advanced, accessible and affordable. This has been accompanied by a mobile revolution in India. So it has become important to create, nurture and grow world-class apps, not only for domestic requirements but also for the international market.
- However, there has been a lacuna in creating world-class apps from India, despite having talent as well as the right companies.
- So now the Government plans to identify the "best Indian apps" that the citizens are already using and which possess the potential to scale and become world-class apps in their respective categories.

What has been holding Indian tech companies back?

- Capital has been the biggest challenge for Indian startups. Startups do need venture as well as debt capital. Indian startups' funding ecosystem is not yet as mature as the ecosystem in China or in the US.
- Venture capital investors are not willing to back Indian entrepreneurs as their rivals are deep-pocketed US or Chinese giants. For instance, no investor would invest in Indian startups that would want to compete with Walmart or Amazon in the online retail segment. No Indian startup without a strong investor backing can hold the ground.
- Without enough money at their disposal, it has been tough for many Indian app making companies to improve the quality, design and security of their product.
- Problem of scaling and mentoring.

What is the quality and standard of existing Indian Apps?

- Comparing global apps with the original Indian apps, there are two scenarios:
 - Some Indian apps are world-class like BHIM, UPI, Zomato, Paytm. These are world-class in terms of UI design, usability and security. They have grown over a period of time and now have several routes of funding.
 - Apps that are really innovative and needed but were never purchased, for instance, Indian video conferencing apps did not gain popularity because Microsoft already offered skype usage for free, and those who wanted group meetings chose the Zoom app instead.
- India has primarily been in the service industry. World-class applications have been developed but only for foreign companies, where innovation, ideation, conceptual design and architecture have been finalised by a bigger giant in China, the US or Europe.
- Indians have only been coding and designing what the foreign companies have conceptualised. Such applications are excellent in quality as they have to meet European standards which the client would have asked for.

What potential our existing Apps have & agenda for boosting them in Track 1:

- When Atal Innovation Mission launched the establishment of world-class incubators to foster world-class startups, only within two and a half years, more than 1500 startups got operational. They were already existing but had been waiting for the right opportunity, support and recognition.
- COVID 19 has also brought many opportunities for the Indian startup sector. When the 'Submit Solutions to combat COVID-19' challenge was launched by the Government on the Startup India Portal, 1500 ready to deploy solutions for COVID 19 were offered by different companies, which were both preventive and assistive in nature.
- This Atma Nirbhar Innovation Challenge will bring to the surface many apps that do exist in the market but never got due attention or support.

Why are tech giants (MNCs & Indian tech giants) reluctant to invest in R&D in India?

- Indian engineers generate a vast amount of IP, but usually, patents are filed on behalf of multinational companies. There is no ecosystem supporting them to innovate for India presently.
- COVID-19 and the ban on H1B visas have created situations where Indian engineers abroad want to return to India and create startups or even work in small startup teams.
- Banning 59 Chinese apps has created a level playing field where Indian startups can look for more segments where they can innovate and compete.
- After China, India is the largest internet market and has a flourishing IT capability. Only support and push from the government is the need of the hour. Entrepreneurs themselves have to come forward to create opportunities and scale them.

How to create a conducive ecosystem for innovation to thrive?

- One of the biggest challenges for Indian startups had been - being able to sell their product in a system marked by bureaucracy and red-tapism:
 - Often participation in the government tenders was tough. Tenders were manipulated and difficult eligibility conditions (regarding minimum turnover, non-refundable tender fee and years of existence) were imposed on private companies for getting Government projects.
 - The process of registration for startups was difficult and cumbersome.
 - The grant support by the government only went down to intended beneficiaries.
- With initiatives like Digital India Scheme and [Startup India](https://byjus.com), the Indian Government has totally revolutionised the startup ecosystem in the country. The impact of these schemes is that while earlier successful Indian startups usually shifted their headquarters abroad, now they remain in India.

- The current government has also provided sops to startups like easy participation in Govt. tenders and tax holiday for three years post establishment.
- An encouraging initiative like the “Innovation Challenge For The Development Of A Video Conferencing App” was announced by the Government of India in April 2020, where the winner was assured of a winning amount of Rs 1 crore and confirmed deployment of their product in government departments.
- Such opportunities provide Indian entrepreneurs with a platform to showcase their skills, attract more buyers and ensure that talent is used for the domestic tech sector growth.
- The encouragement provided by the government has created a Golden Age for Indian startups and the tech sector currently.

Focussing on the IT sector - Who benefits the most?

- The companies which are most innovative & enterprising irrespective of whether they are startups, tech giants, smaller tech firms or even NGOs.
- A combination of large companies and small startups can together create world-class applications. In the US, many large tech companies depend on startups to come up with innovative technologies which in turn make their own products more effective. A similar model could come up in India as well.
- The companies which are smart enough to fulfill the pent up consumer demand in India, in growing areas like online payments, micro logging applications, document scanning, food delivery, ride-hailing, e-commerce, budget hotels and others.
- Ultimately the biggest beneficiaries will be the demographic dividend of India - millions of schools, several engineering colleges, many young students about to enter the workforce in the coming years. Ultimately the success of all the new, innovative Indian apps is determined by the extent to which these can cater to the needs of this young generation in the country.
- The private sector in India has a huge opportunity to offer disruptive solutions to the massive problems existing in the Indian market. Companies can bring the benefits of technology to the doorsteps of the common people, by designing innovative and world-class solutions and applications.

Best way forward:

- With over 650 million internet users and more than half of its population under twenty-five years of age, India is a fertile market. We need to find business models that can scale to serve these millions of users.
- Machine learning or [artificial intelligence](#) by indigenous startups will be done more easily as the government is formulating policies to level the field by not allowing one or two global companies to corner all the data of Indian consumers. This will be a game-changer for startups.
- Any strategic sector in India has prospered only when the government has mentored and nurtured it, be it the aviation or the nuclear power sector. If the government considers startups as a strategic sector for the next 2 decades, it will prosper.
- The China model of blocking all outside players (Facebook, Twitter or Google) to give a free space for domestic startups to grow and thrive. A closed ecosystem enabled Chinese startups like Alibaba, Weibo and Tencent to become global tech giants.
- The same closed ecosystem is needed in India. The reason for banning foreign apps is not just the protection of data of Indian users. A bigger reason is to provide an opportunity, time and space for Indian startups to evolve. Given the right environment and funding to survive, Indian startups could dominate the centre stage of the world within a handful of years.
- More avenues like the Atal Innovation Mission should be enabled by the government to boost the growth of startups. How it helps Indian startups:
 - ARISE (Atal Research & Innovation for Small Enterprises) is an initiative to promote research, innovation and competitiveness of Indian startups and small enterprises.

