

Role of Government Schemes in Building Startup Ecosystem in India: A Qualitative Study

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Abstract

The startup ecosystem in India is fostered and nurtured in large part by government programmes. These programmes seek to promote, encourage, and provide resources to startups and entrepreneurs, encouraging innovation, job creation, and economic progress. The Government of India's "Startup India" campaign is one such important endeavour. Numerous programmes and incentives have been implemented as part of the Startup India initiative to foster a supportive environment for startups. These consist of tax advantages, simpler regulatory compliance, funding and capital access, and capacity building initiatives. Government major programmes emphasize entrepreneurship and innovation among researchers and students. In addition, the government has set up incubators and accelerators across the nation to offer networking opportunities, infrastructure, and mentoring to companies. By providing financial support for early-stage firms throughout their initial growth period, the Startup India Seed Fund was established to help these businesses even further. These government initiatives have been crucial in promoting a thriving startup environment in India. They have supported ambitious business owners in taking chances, given them the resources they need, and enabled their interactions with professionals in the field.

Keywords: Startup India, Government programmes, Incentives, Incubators and accelerators, Funding and capital access, Entrepreneurship, Thriving startup environment.

Introduction

The development and support of India's startup ecosystem has been greatly aided by government programmes. Several programmes and incentives were adopted as part of the "Startup India" campaign, which the Indian government launched in the year 2016 (Godha et al. 2019). These plans included "tax advantages," "easier compliance with regulations," "access to funding and capital," and "capacity building programmes." The government sought to foster an environment that would enable startups and business owners to prosper and advance the economy of the nation through these measures. Offering "tax benefits" has played a big role in luring businesspeople to India to launch their companies. The government established tax advantages for qualified companies, including exclusions from capital gains tax, tax holidays, and lower tax rates. These steps not only made it easier for entrepreneurs to pay their bills, but they also prompted investors to provide funding. In order to encourage entrepreneurship and investment in creative startups, the government lowered tax burdens. The government has put a strong emphasis on "easier regulatory compliance" to speed up the startup establishment and management processes. Complex regulatory procedures are a common obstacle for startups, which can limit their ability to expand. In order to solve this issue, the government put into place procedures that would make the licencing, compliance, and registration procedures for startups easier to complete and quicker. Online platforms and self-certification tools made it simpler for entrepreneurs to circumvent bureaucratic constraints and concentrate on their main business operations.

The creation of "incubators and accelerators" across the nation was one of these government programmes' major accomplishments. To increase their chances of success, these facilities offered companies "mentorship," "infrastructure," and "networking opportunities" (Jain, 2016). The government saw the value of mentoring and assistance for entrepreneurs, particularly in the early phases when they face multiple difficulties with regard to resources, experience, and market access. The government made sure

that entrepreneurs had access to seasoned mentors who could offer helpful direction and advise by establishing incubators and accelerators. Additionally, these facilities' infrastructure and shared resources allowed entrepreneurs to cut their operating expenses and concentrate on innovation and growth.

The government's Startup India project also included innovation programmes, incubators, and accelerators, as well as the "Startup India Seed Fund" (Singh, 2021). During their first growth phase, this fund gave early-stage firms the vital financial backing they needed. Startups were able to develop their ideas, expand their businesses, and bring in more investment thanks to the availability of finance at a critical time. By providing the required funding to develop creative ideas into workable enterprises, the Startup India Seed Fund aims to close the gap between the point of inspiration and the business development era. Figure 1 presents the Role of Government Schemes in Building Startup Ecosystem, specifically in the context of the MSME.



Figure 1 Role of Government Schemes in Building Startup Ecosystem

Literature Review

The government programmes' offer of "tax benefits" for startups was one of the main issues they addressed. The government wanted to lessen initial costs and promote their expansion by providing tax breaks and incentives. These tax advantages included reduced tax rates, exemptions from capital gains tax, and tax holidays for qualified startups. According to Rault and Mathew (2019), such policies not only encouraged entrepreneurs to launch their businesses but also sparked investments from both domestic and foreign sources. Fostering new trends in the startup environment was a key area of concentration for government programmes. The "big data," "crowdfunding," and "shared economy" have the potential to spur innovation and development, according to the government. For instance, to gather insights and make wise business decisions, the government pushed startups to use big data analytics. Additionally, tools for crowdfunding were marketed to help entrepreneurs raise money, and the shared economy model was urged to maximize resource use and develop cooperative company models (Chaudhari & Sinha, 2021).

In addition, government initiatives to support the startup environment went beyond tax breaks and new trends. Kshetri and Kshetri (2016) emphasized the importance of measures aimed at developing a supportive environment for entrepreneurs. These include the creation of incubators, accelerators, and innovation hubs, which gave businesses access to networking, infrastructure, and mentorship possibilities. A talented pool of entrepreneurs and inventors was further fostered by the government's focus on capacity building initiatives, training, and skill development. According to Bindal et al. (2018), startups have been extremely important to the Indian economy. The potential of startups to spur economic expansion, job creation, and innovation was acknowledged by the government. In response, it unveiled a number of initiatives to aid in and encourage startups. These programmes included "financial assistance" and "incubation. Financial aid programmes gave companies the money they needed to create their goods, expand their businesses, and bring in more funding. Incubation support provided startups with networking opportunities, infrastructure, and mentorship in the form of specialised incubators and accelerators. In addition, programmes that made it easier to access networks and markets helped entrepreneurs meet prospective partners, investors, and clients, improving their chances of success.

The government's activities to promote social change through entrepreneurs have been crucial in fostering the startup ecosystem (Baporikar, 2015). The government launched programmes that were aimed at solving social issues and encouraging socially impactful entrepreneurship after realising the potential of startups as agents of social transformation. These projects addressed, among other things, the healthcare, agricultural, and clean energy sectors. The government promoted entrepreneurship while simultaneously facilitating constructive social change in the nation by offering assistance and incentives to firms developing creative solutions to societal challenges.

The expansion of India's startup ecosystem has been facilitated by government initiatives. The "Startup India" initiative, initiated by the Indian government, sought to create an atmosphere that would enable entrepreneurs to flourish and advance the nation's economy (Rani, 2017). The government has actively assisted startups on their path from conception to scaling up through a variety of plans and activities, including "tax benefits," "incubation support," and "skill development programmes." These programmes have been extremely important in drawing in businesspeople, fostering innovation, and assisting in the development of long-lasting, scalable enterprises. Giving startups "tax benefits" has been one of the main drivers of the growth of the startup ecosystem in India. The government understood the value of easing startup costs and encouraging capital investment in the industry (Tiwari et al. 2021). Startups have benefited greatly from tax incentives, including exclusions from capital gains tax, tax holidays, and lower tax rates. Along with encouraging investors domestically and abroad to support potential businesses, these policies have drawn entrepreneurs to India and aided in their growth and expansion.

Saxena and Siddharth (2021) emphasized on how government programmes, such as "Startup India," gave companies a strong basis on which to grow and succeed. These plans covered several things, such as "financial support," "regulatory reforms," and "capacity building programmes". The government's goal in putting these policies into place was to foster an atmosphere that would help entrepreneurs overcome obstacles and realise their full potential as innovators. In order to develop potential and improve the abilities of budding entrepreneurs, the government's "capacity building programmes" were extremely important. The government provided startups with the information and tools they needed to flourish by providing training, mentorship, and networking opportunities. Startups had access to industry experts, seasoned mentors, and successful business people through capacity building programmes who offered their knowledge and experience. These initiatives gave companies the tools, connections, and strategies they needed to succeed and reach their full potential.

Conclusion

The development of a thriving startup ecosystem in India is, thus, greatly aided by government initiatives. These programmes have been crucial in tackling the major difficulties faced by startups and in promoting their development and creativity. These initiatives have produced an enabling environment for entrepreneurs to flourish by offering financial support, infrastructural development, mentoring, and networking opportunities. Grants, subsidies, and easy access to cash, which are essential for startups in their early phases, are some of the ways that these programmes have assisted in filling the financial gap. The programmes have also put a strong emphasis on fostering entrepreneurship education and skill development, giving prospective businesspeople the knowledge and skills they need to create profitable companies. A strong infrastructure for startups has also been greatly aided by government initiatives. The government has made businesses accessible to cutting-edge facilities and resources by constructing incubation centres, co-working areas, and research and development labs. This has decreased their operational costs while also promoting entrepreneur collaboration and knowledge exchange. Additionally, networking and mentorship options for businesses have been made easier by government programmes. Platforms including startup gatherings, innovation competitions, and startup showcases have matched entrepreneurs with investors, subject matter experts, and seasoned mentors. This network of assistance has been crucial in supporting entrepreneurs on their path, encouraging learning, and assisting them in successfully navigating obstacles. Therefore, government initiatives have been crucial in fostering an atmosphere in India where entrepreneurs can prosper. They have removed major entry hurdles, given funding, developed infrastructure, and promoted networking and mentoring possibilities. To foster and sustain the growth of the Indian startup ecosystem, ongoing attention to such projects will be essential.

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