



Impact of Government Schemes on Organizational Growth of Startups in India

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Abstract:

India has emerged as one of the fastest-growing startup ecosystems in the world. Government schemes such as Startup India, Stand-Up India, Make in India, Digital India, and Atmanirbhar Bharat Abhiyan have played an important role in promoting entrepreneurship and organizational growth. These initiatives provide financial assistance, ease of doing business, and innovation support to young entrepreneurs. The paper aims to study the impact of government schemes on the organizational development of startups in India, focusing on their role in improving business performance, innovation, employment generation, and sustainability. Case studies of successful Indian startups such as Nykaa, Zerodha, Lenskart, and boAt highlight how policy support has enabled their growth. The paper concludes that while these schemes have made remarkable contributions, further improvements in accessibility, awareness, and long-term funding are needed to make the ecosystem more inclusive and sustainable.

Keywords: *Startups, Government Schemes, Organizational Growth, Entrepreneurship, Innovation, Atmanirbhar Bharat, Startup India.*

Introduction:

In the last decade, India has transformed into a global hub for startups and innovation. With the rise of digitalization, changing consumer preferences, and government support, young entrepreneurs are creating innovative business models that contribute to the country's GDP and employment. The Indian startup ecosystem ranks among the top three globally, with more than 1,25,000 recognized startups as of 2025, according to the Department for Promotion of Industry and Internal Trade (DPIIT).

Government schemes such as Startup India, Make in India, Digital India, and Atmanirbhar Bharat have encouraged innovation, simplified regulatory procedures, and created access to finance. These initiatives aim to build a strong foundation for startups and promote organisational growth by encouraging research, innovation, and self-reliance.

The Indian Government has launched multiple targeted programs to catalyse entrepreneurship and startup growth. Major platforms include the Startup India initiative (policy push, seed funds, incubation support), credit guarantee and

MSME outreach (CGTMSE), targeted inclusion schemes (Stand-Up India, PM SVANidhi) and patent/facilitation supports. These interventions aim to address market failures—lack of early-stage capital, high collateral requirements, regulatory friction and low representation of SC/ST/women entrepreneurs. Evidence of rapid growth: DPIIT-recognised startups increased from around 502 in 2016 to 157,706 as of December 31, 2024; subsequently registrations crossed ~180k by mid-2025.

Literature Review:

1. Government-scheme overviews and descriptive studies show positive correlation between policy measures and startup counts, but mixed effects on survival rates.
2. Targeted financial inclusion programs (PM SVANidhi) improved micro-entrepreneurs' access to micro-credit and digital transactions; field studies report increases in vendor incomes where uptake was good.
3. Stand-Up India press materials document growth in loans to SC/ST/women entrepreneurs over time; however, awareness and uptake barriers persist.

Objectives of the Study:

1. To study the various government schemes promoting startups in India.
2. To examine the impact of these schemes on organisational growth and performance.
3. To identify challenges faced by startups in availing government support.
4. To suggest measures to strengthen the effectiveness of these schemes.

Importance & Scope of the Study:

Importance: Policymakers need evidence to refine schemes for higher effectiveness; entrepreneurs and incubators need to understand scheme benefits and limitations.

Scope: National-level focus with scheme-specific analyses (Startup India, Seed Fund, CGTMSE, Stand-Up India, PM SVANidhi). Data timeframe mostly 2016–2025 (latest available public figures used).

Review of Literature:

According to NITI Aayog (2023), the Indian startup ecosystem has become a key driver of innovation and employment, supported by flagship schemes such as Startup India. The report highlights that over ₹45,000 crore has been sanctioned under the Fund of Funds for Startups (FFS) managed by SIDBI.

Chaudhary and Sharma (2022) observed that government schemes have significantly improved access to credit and mentorship for startups, especially in Tier-II and Tier-III cities. However, procedural delays and lack of awareness still hinder their effective implementation.

1. Policy-Driven Formation: Multiple descriptive studies show a strong correlation between policy incentives and register counts—for example, the number of DPIIT-recognised startups has increased dramatically since 2016. However, registration growth alone is an incomplete proxy for long-term organisational success.

2. Finance & Guarantee Schemes: Credit guarantee mechanisms (CGTMSE) reduce bank reluctance to lend to early-stage and micro-enterprises by lowering perceived risk—studies show positive effect on loan take-up among micro and small firms but

mixed impact on growth beyond credit access without complementary business support.

3. Targeted Inclusion Schemes: Stand-Up India and PM SVANidhi positively affect credit access for SC/ST/women and street vendors respectively, but uptake often hinges on awareness and ease of accessing benefits.

4. Incubation & Seed Funds: Seed fund and incubator grants (including Startup India seed support) help bridge pre-seed/seed financing gaps and provide mentoring that benefits product-market fit—evidence suggests higher survival probability when mentoring and market connections accompany funding.

Research Methodology:

The study is based on secondary data collected from government reports, policy documents, Startup India portal, NITI Aayog publications, and journal articles.

A qualitative and descriptive research approach is adopted to understand the relationship between government initiatives and organizational growth.

Case studies of Indian startups such as Nykaa, Zerodha, boAt, and Paytm are analyzed to highlight the practical impact of these schemes.

Major Government Schemes Supporting Startups:

1. Startup India Initiative (2016):

Launched in 2016, Startup India aims to build a strong ecosystem that nurtures innovation and entrepreneurship. Key benefits include:

1. Tax exemption for the first three years

2. Self-certification for compliance under labour and environmental laws
3. Startup India Seed Fund Scheme (SISFS) providing early-stage funding
4. Support for intellectual property rights (IPR) filing

2. Stand-Up India (2016):

This scheme promotes entrepreneurship among women and SC/ST communities. It provides loans ranging from ₹10 lakh to ₹1 crore to help them establish new enterprises. It encourages organisational inclusivity and diversity.

3. Make in India (2014):

Focused on manufacturing startups, Make in India promotes domestic production, foreign investment, and job creation. It has led to the growth of manufacturing-based startups in sectors such as electronics, automobiles, and defense.

4. Digital India (2015):

This initiative enhances digital infrastructure, promoting e-governance and access to online services. It has enabled startups to adopt digital technologies, cloud computing, and data-driven management.

5. Atmanirbhar Bharat Abhiyan (2020):

Launched during the pandemic, this initiative promotes self-reliance through credit support, production-linked incentives (PLI), and innovation funds. It has helped startups withstand post-pandemic challenges and re-establish organisational growth.

6. Fund of Funds for Startups:

Managed by SIDBI, the fund provides financial assistance through Alternative Investment Funds (AIFs). It supports innovation-led startups in sectors such as health, education, and green technology.

Impact of Government Schemes on Organisational Growth:

1. Improved Access to Finance:

Schemes like Startup India, Stand-Up India, and Mudra Yojana have reduced the dependency on informal credit. Startups now have access to venture funding, seed capital, and loans at lower interest rates, which strengthens their financial base and supports expansion.

2. Encouragement of Innovation

Government programs support R&D and innovation. Through incubation centres and research grants, entrepreneurs can develop new technologies and products. This has led to more innovation-driven organisational cultures.

3. Ease of Doing Business:

Simplified registration and tax exemptions have made it easier to start and operate businesses. India's ranking in the World Bank's Ease of Doing Business Index improved significantly due to these reforms.

4. Organisational Sustainability:

Startups focusing on sustainability and green technologies receive special support under Atmanirbhar Bharat and Make in India. It encourages environmentally responsible business operations.

5. Employment Generation:

Startups supported under government initiatives have created millions of direct and indirect jobs. This strengthens both economic and social aspects of organisational growth.

6. Startup formation: DPIIT-recognized startups (selected years):

Year	DPIIT-recognized startups (approx.)
2016	502
2019	~12,000 (illustrative)
2022	~100,000 (illustrative)
2024	157,706
2025	180,683

Large increase in recognitions since program inception; suggests improved formation and/or registration incentives.

7. Stand-Up India: inclusion & loan flows (selected figures):

Category	2018	2024
SC accounts (no.)	9,399	46,248
ST accounts (no.)	2,842	15,229
Loans to SC (₹ crore)	1,826.21	9,747.11
Loans to ST (₹ crore)	574.77	3,243.00

Limitations of the Study:

1. Primary data (surveys/interviews) not collected in this draft-recommendation and instrument are provided for future work.
2. Some figures are snapshots from public releases and press coverage; a comprehensive econometric causal analysis will require matched panel-level firm data.

Case Studies of Indian Startups:

1. Nykaa:

Founded by Falguni Nayar, Nykaa grew rapidly with the support of Digital India and Startup India. The company used digital platforms and e-commerce incentives to reach millions of customers, ultimately becoming a listed company on NSE.

2. Zerodha:

Zerodha benefited from digital infrastructure and fintech regulations promoted by Digital India and Startup India. It revolutionized the trading sector through innovation, resulting in scalable and sustainable organizational growth.

3. boAt:

boAt leveraged Make in India and Atmanirbhar Bharat incentives to build local manufacturing units. The company's affordable products and self-reliant model made it one of the leading consumer electronics brands in India.

4. Paytm:

Supported under Digital India and Startup India, Paytm became a pioneer in India's digital payments ecosystem. The government's push for cashless transactions and financial inclusion greatly accelerated its growth.

Discussion:

The findings indicate that government schemes have substantially improved the ecosystem for startups. Organisational growth is reflected in better access to finance, skilled manpower, mentorship, and market exposure.

However, some challenges persist:

1. Complex procedures in availing financial benefits
2. Lack of awareness among rural entrepreneurs
3. Limited coordination among agencies
4. Need for better post-funding mentorship and monitoring

Suggestions:

1. Simplify the application process for government funding.

2. Increase awareness campaigns in rural and semi-urban areas.
3. Strengthen incubation and mentorship programs.
4. Improve inter-departmental coordination for scheme implementation.
5. Encourage industry-academia collaboration for innovation.
6. Provide long-term tax incentives and export promotion support.

Conclusion:

The Indian government's schemes have transformed the entrepreneurial ecosystem by supporting innovation, funding, and inclusive growth. These initiatives have enabled startups to strengthen their organizational capacity and create new employment opportunities. The combination of financial assistance, digital transformation, and policy support has given Indian startups a global platform.

However, the real success will depend on sustained policy execution, awareness at the grassroots level, and fostering a culture of innovation among the youth. With continued reforms and active participation from all stakeholders, Indian startups can become key contributors to achieving the Viksit Bharat 2047 vision.

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