



## Role of Government Policies and Schemes in Promoting Entrepreneurship in India

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### Abstract:

Entrepreneurship plays a pivotal role in driving economic growth, employment generation, and innovation in India. Recognizing its significance, the Indian government has introduced various policies and schemes, including Startup India, Make in India, Stand-Up India, and MSME initiatives, aimed at fostering an enabling environment for entrepreneurs. These programs provide financial support, skill development, regulatory facilitation, and market access, addressing key challenges such as funding constraints, bureaucratic barriers, and lack of mentorship. This paper examines the impact of government interventions on entrepreneurial motivation, business sustainability, and inclusive economic development. The study highlights successes in promoting start-ups and MSMEs, while also emphasizing the need for continuous policy refinement, digital facilitation, and targeted support for marginalized groups. Findings suggest that effective government support is essential to nurture a dynamic entrepreneurial ecosystem, enhance innovation, and strengthen India's position in the global economy.

**Keywords:** Entrepreneurship, Government Policies, Startups, MSME, Economic Growth, Innovation, India.

### Introduction:

Entrepreneurship occupies a central place in India's economic policy discourse: as a vehicle for employment creation for millions of youth, for translating India's demographic dividend into productive livelihoods, and for fostering innovation to address social and sectoral challenges. Recognizing this, the Government of India (GoI) launched multiple flagship campaigns and schemes since the 2010s designed to reduce entry barriers, increase access to finance, build skills, and create institutional supports (incubators, accelerators, innovation labs) for startups and micro,

small and medium enterprises (MSMEs). This paper synthesizes official programme designs and publicly available outcome data to evaluate the role these policies play in nurturing entrepreneurship, and identifies remaining obstacles that policymaking must address. ([Press Information Bureau][2])

### Methodology:

This is a desk-based, policy-analysis study. Primary materials are official government portals, annual reports and press releases (e.g., Startup India portal, MUDRA annual report, AIM website, CGTMSE), supplemented by recent government press

notes and credible secondary summaries. The analysis focuses on the policy instruments (finance, regulation, skills, incubation), documented outputs (loan disbursements, registrations, skilling numbers), and qualitative assessment of gaps and implementation challenges reported in official releases. ([Startup India][1])

### **Overview of Major Government Policies and Schemes:**

#### **1. Startup India:**

Launched to catalyze innovation-driven enterprises, Startup India provides a package that includes DPIIT recognition, tax incentives (initial years), easier compliance and fast-tracked intellectual property rights (IPR) support, and access to government procurement opportunities. Complementary measures include the Startup India Seed Fund Scheme (support for proof-of-concept and prototype development) and credit guarantee arrangements for startup loans. These measures aim to reduce the cost and uncertainty of early-stage ventures. ([Startup India][1])

#### **2. Make in India:**

Make in India focuses on improving the manufacturing ecosystem by attracting investment, simplifying licensing and regulatory frameworks, and promoting India as a manufacturing hub. By creating sectoral focus and policy attention (ease of doing business reforms, incentives), Make in India supports entrepreneurs in manufacturing and product startups seeking scale. ([Press Information Bureau][2])

#### **3. Pradhan Mantri Mudra Yojana (PMMY) and MUDRA:**

PMMY finances micro-enterprises through three loan categories (Shishu, Kishor, Tarun), facilitating collateral-free

credit via banks, NBFCs and microfinance institutions. MUDRA's disbursal scale over a decade has been significant in bringing micro-enterprises into formal credit channels. Official reports document large volumes of small-ticket loans that underpin a wave of micro-entrepreneurship in services, trading and small manufacturing. ([Press Information Bureau][3])

#### **4. Stand Up India:**

Stand Up India targets entrepreneurship among women and Scheduled Caste (SC)/Scheduled Tribe (ST) entrepreneurs by facilitating bank loans between INR 10 lakh and INR 1 crore to set up greenfield enterprises, with dedicated handholding support. The objective is to improve social inclusion in entrepreneurship by reserving attention and financial instruments for underserved groups. ([State Bank of India][4])

#### **5. Credit Guarantee and MSME Supports (CGTMSE, CGS):**

Access to collateral-free credit is a recurrent constraint. The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) provides guarantee cover to banks lending to MSEs to reduce collateral requirements and expand credit access. Additionally, a range of MSME-focused schemes (technology adoption, cluster development, market access supports) are administered by the Ministry of MSME. ([CGTMSE][5])

#### **6. Atal Innovation Mission (AIM) & Atal Tinkering Labs:**

AIM (NITI Aayog) promotes a culture of innovation through Atal Tinkering Labs (school-level exposure), incubators, Atal New India Challenges and funding support for proof-of-concept and commercialization. AIM's ecosystem-

building is intended to feed the startup pipeline with skilled, innovation-oriented entrepreneurs. ([Atal Innovation Mission (AIM)][6])

### **7. Skill Development & PMKVY / Skill India:**

Human capital is central to entrepreneurship success. The Skill India mission (PMKVY and its restructured programmes) provides vocational training and industry-relevant skills—important for both entrepreneurial competence and absorptive capacity in startups. Recent program restructuring aims to align skilling with Industry 4.0 needs. ([Press Information Bureau][7])

### **8. Prime Minister's Employment Generation Programme (PMEGP) and PMEGP-linked supports:**

PMEGP supports setting up micro-enterprises in rural and urban areas through credit plus subsidy (margin money) to generate employment. It is implemented through KVIC and other agencies and targets traditional and new micro-enterprises. ([KVIC Online][8])

### **Analytical Assessment: Effects and Evidence:**

#### **Expanding Access to Finance:**

One of the most tangible government impacts has been widened access to small-ticket credit. MUDRA's decade-long operation has sanctioned large numbers of loans and large cumulative amounts, indicating scale in formal finance penetration for micro-entrepreneurs. Similarly, PMEGP and Stand Up India provide targeted loan and subsidy mixes for new enterprises that otherwise would face credit rationing. Credit guarantee mechanisms like CGTMSE reduce collateral

friction and encourage commercial banks to lend to micro and small enterprises. Collectively these programs have lowered the first-order financial barrier to enterprise creation. ([Press Information Bureau][3])

#### **Institutional and Regulatory Facilitation:**

Startup India's ease-of-compliance measures (self-certification, relaxed norms, single-window mechanisms) and Make in India's focus on licence simplification reduce regulatory burdens that disproportionately affect nascent firms. Fast-tracking of IPR and procurement opportunities for startups also create institutional pathways for growth and formalization. These interventions address both transaction costs and formalization incentives. ([Startup India][1])

#### **Ecosystem & Innovation Supports:**

AIM's tinkering labs and incubator networks build human capital and provide physical infrastructure for prototyping and early-stage commercialization. Atal New India Challenges and seed funds for startups address the valley-of-death problem by supporting proof-of-concept phase projects with non-dilutive grants or milestone funding. This supply of incubation, mentorship and early capital strengthens the survivability of early-stage ventures. ([Atal Innovation Mission (AIM)][6])

#### **Skills and Human Capital Alignment:**

Skill India and PMKVY's alignment with emerging technology needs provides a pool of employable and entrepreneurial talent. Training in digital skills, manufacturing technologies, and domain-specific competencies reduces a key constraint for startups—finding skilled labor—and helps would-be entrepreneurs convert ideas into viable operations. ([India Brand Equity Foundation][9])

### **Inclusion and Targeted Support:**

Schemes like Stand Up India and women-focused subsidy measures broaden participation of underrepresented groups (women, SC/ST). By reserving loan outreach and handholding services for these groups, the government attempts to tackle social exclusions that hinder entrepreneurship take-up. ([State Bank of India][4])

### **Case Examples & Illustrative Outcomes:**

Official releases and sectoral summaries indicate sizeable outputs: large numbers of MUDRA loans sanctioned, DPIIT startup recognitions, and expansion of Atal Tinkering Labs and incubators. For instance, government reporting highlights MUDRA's multi-year cumulative disbursals and Startup India's ecosystem supports (recognitions, seed schemes, credit guarantee) as markers of scale. While these outputs show reach, impact evaluation on firm survival, productivity gains and job quality requires more fine-grained longitudinal studies. ([Press Information Bureau][3])

### **Key Challenges and Implementation Gaps:**

#### **1. Credit Quality and Last-Mile Reach:**

While headline loan numbers are large, concerns remain about repayment performance, over-indebtedness of micro-borrowers, and the ability of some micro-enterprises to graduate to larger-scale credit. Informal firms, particularly in remote areas, continue to face asymmetric information and high transaction costs that formal schemes do not fully eliminate. Guarantee schemes help, but implementation gaps in bank outreach and risk assessment persist. ([CGTMSE][10])

#### **2. Regional and Sectoral Unevenness:**

Entrepreneurship growth clusters around better-connected urban and semi-urban corridors; several regions—especially remote rural districts—receive limited ecosystem support (incubators, investor access, skilling centers). This spatial unevenness constrains inclusive entrepreneurial diffusion. ([Make in India][11])

#### **3. Regulatory Complexity for Small Firms:**

Even with ease-of-doing-business reforms, micro firms confront a multiplicity of local regulations (municipal trade licences, local taxes, labour compliances) that impose compliance costs. Simplification efforts are ongoing but inconsistent across states and local governments. ([Press Information Bureau][2])

#### **4. Market Linkages and Demand-Side Constraints:**

Access to finance alone does not guarantee market access. Many small enterprises need support for product standards compliance, supply-chain integration, digital marketing and procurement linkages. Schemes that target market access (cluster development, e-marketing) exist but require scaling and better targeting. ([CGTMSE][5])

#### **5. Data, Monitoring and Outcome Measurement:**

Official scheme outputs tend to report input and output metrics (loans sanctioned, training seats, recognitions) more than outcome indicators (firm survival, increase in turnover, job permanence). Strengthening monitoring frameworks with outcome-based KPIs would enable better policy learning. ([Mudra][12])

**Policy Recommendations:**

**1. Deepen and Diversify Financing Instruments:**

Beyond small-ticket loans, the government should expand blended finance instruments (credit + equity, convertible grants), scale early-stage risk funds focused on deep-tech and social enterprises, and strengthen micro-equity options via public co-investment with VCs/angels. Expanding credit guarantee coverage with simplified claims processes will also increase bank appetite for micro and small enterprise lending. ([Startup India][13])

**2. Localized Ecosystem Building:**

Promote district-level entrepreneurship hubs that combine microcredit facilitation, localized incubation, market-linkage cells and business development services. This would reduce regional disparities by bringing prototyping, skilling and mentorship into non-metro areas. Partnerships with state governments, universities and industry chambers can operationalize such hubs. ([Atal Innovation Mission (AIM)][14])

**3. Strengthen Market Access & Digitalization Supports:**

Scale digital procurement portals that prioritize MSME and startup participation in government procurement; expand e-marketplaces and subsidized compliance support (quality testing, standard certifications). Digital literacy and e-commerce onboarding grants can accelerate market linkage for small producers. ([Startup India][1])

**4. Outcome-Oriented Monitoring & Research:**

Adopt a common results framework across entrepreneurship schemes that tracks survival rates, revenue growth, formalization

and decent job creation at 1-, 3- and 5-year horizons. Commission independent impact evaluations to identify which design features (grant vs. loan, coaching intensity, clustering) produce best outcomes. ([Mudra][12])

**5. Simplify Local Compliance and One-Window Systems:**

Accelerate state-level adoption of single-window systems for micro firms that bundle municipal, labour and tax registrations—reducing recurrent compliance costs. Expand “conditional self-certification” approaches combined with targeted inspections to maintain regulatory standards while lowering compliance burdens. ([Press Information Bureau][2])

**6. Focused Supports for Socially Underrepresented Entrepreneurs:**

Expand handholding and market linkage components of Stand Up India and women entrepreneurship schemes, including mentoring networks, incubation seats, and preferential procurement clauses to translate access to loans into sustainable enterprises. ([State Bank of India][4])

**Conclusion:**

India's government policies and schemes over the past decade have materially expanded the scaffolding available to entrepreneurs: from millions of small loans under MUDRA to institutional initiatives like Startup India and Atal Innovation Mission that target innovation and early-stage support. These programs have reduced entry barriers, increased the flow of credit and nurtured an entrepreneurship culture. Nonetheless, to convert scale into sustained, inclusive enterprise growth, policy emphasis must shift toward deeper financing instruments,

localized ecosystem development, robust outcome monitoring and stronger market-linkage supports—especially for women, SC/ST and remote-area entrepreneurs. Strengthened coordination across central, state and local levels, and continued evidence-based refinements, will be essential to translate policy inputs into resilient entrepreneurial outcomes and inclusive economic development. ([Press Information Bureau][3])

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