

A Descriptive Study on Government Schemes for Startup Initiatives in India with special reference to Pradhana Mantri Mudra Yojana (PMMY)

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Abstract:

This research paper presents a descriptive study on the government schemes aimed at fostering startup initiatives in India. The objective of this study is to analyze and document the various schemes and initiatives implemented by the Indian government to support and promote startups in the country. The paper examines the key features, eligibility criteria, benefits, and challenges associated with these schemes. Additionally, it assesses the impact of these government initiatives on the startup ecosystem and offers recommendations for further improvement. The study draws on a comprehensive review of relevant literature, official government documents, and case studies of successful startups. The findings of this research paper provide valuable insights into the government's role in nurturing entrepreneurship and facilitating the growth of startups in India.

Keywords — Start-Up, PMMY, Economy and Government schemes.

Introduction

The current decade would likely go down in history as the decade of entrepreneurship in India. The country is amid a startup boom, and things seem exceedingly favorable for entrepreneurs. As per records, the scale and magnitude of startups in India are the highest they've ever been, making the country one of the fastest-growing startup ecosystems in the world. The Indian government's constant backing of startups by providing them with incentives has aided this growth. Over the last few years, they've rolled out various schemes dedicated to supporting startups. The goal behind these schemes and funds has been to create an environment where ventures can thrive. So, if you're a budding entrepreneur in India looking to start a business, you must know

about these government schemes for startups. In this article, we'll discuss the top schemes for startups in India and their benefits.

I. Background

Startups have emerged as a vital component of economic growth and innovation across the globe. In India, the startup ecosystem has witnessed significant growth and attention over the past decade. The government has recognized the potential of startups in driving economic development, creating jobs, and fostering innovation. The rise of startups in India can be attributed to several factors. First and foremost, advancements in technology and the digital revolution have paved the way for innovative ideas and business models. The accessibility of affordable technology, internet penetration, and

the widespread use of smart phones have enabled entrepreneurs to reach a larger customer base and disrupt traditional industries. Additionally, India's demographic advantage, with a large youth population and a growing middle class, has fueled the demand for innovative products and services. This, coupled with a supportive ecosystem of investors, mentors, and incubators, has provided entrepreneurs with the necessary resources and guidance to launch and scale their ventures. Recognizing the potential of startups in driving economic growth and employment generation, the Government of India has introduced various initiatives and policies to support the startup ecosystem. These initiatives aim to create an enabling environment by providing financial assistance, regulatory support, infrastructure, and networking opportunities to startups. Government schemes such as Startup India, Standup India, and Atal Innovation Mission (AIM) have been instrumental in facilitating the growth of startups in India. These schemes provide access to funding, tax incentives, mentorship, and incubation support, allowing entrepreneurs to overcome initial challenges and establish sustainable businesses. The government's focus on startups is also reflected in regulatory reforms, such as the introduction of relaxed norms for angel investments, simplification of business registration processes, and relaxation of labor laws for startups. These measures have reduced bureaucratic hurdles and created a more favorable environment for entrepreneurial ventures.

Furthermore, the startup ecosystem in India has witnessed increased participation from venture capitalists, angel investors, and corporate, who have recognized the potential for high returns and innovation. This influx of capital and expertise has further fueled the growth of startups in India.

II. Review of Literature

Sharma, A., & Ritu, N. R. (2023), the analysis of how government programs assist start-ups in India in this research focused on the Start-up India programme and other related activities. The study

looked at how those activities had an impact on the ecosystem of start-ups, including how many new businesses were established, how many jobs were created, and how much capital was raised. The research also examined the challenges new businesses face when applying for government funding and made recommendations for improving the effectiveness of these initiatives. Overall, the report stressed the crucial role that government programs have played in promoting innovation and entrepreneurship in India and offers suggestions for how to further strengthen their hold on the start-up ecosystem.

Shah, C. F., & Jokhi, C. D. M. E. (2023), the topic of this paper was primarily concerned with how government regulations affect the startup ecosystem in every nation, including India. Startup India, the Fund of Funds for Startups, and the Atal Innovation Mission are just a few of the policies and programmes the Indian government has implemented to encourage innovation and entrepreneurship. These regulations have streamlined regulatory procedures, made it simpler for entrepreneurs to conduct business in India, and given them access to finance and tax breaks. High levels of bureaucracy, a lack of access to funding, and insufficient infrastructure in some locations are a few of the issues that continue to impede the growth of startups in India. Additionally, recent modifications to data localization and e-commerce policies have affected the business and caused some disruptions.

Kamaluddin, F. A., & Sridhar, K. S. (2021), this paper's goals are to evaluate the concentration of investment in the Indian startup ecosystem and the effectiveness of government initiatives put in place to help the sector. While information on the effectiveness of government projects was gathered using the Startup India website and RTI, descriptive statistics were utilized to describe investment trends. They discover that platform business model firms are receiving the majority of financing. Government policies aimed at startups have a poor track record. In "Startup India," acceptance rates range from 5% to 7%. Many of the federally funded

programmes mentioned on the Startup India portal do not keep separate statistics on startup recipients, which shows that startups only receive a small portion of the benefits. The study adds to the limited academic research on investment trends and the effectiveness of government initiatives pertaining to Indian startups. It draws attention to the extreme spatial and sectoral investment concentration and the subpar effectiveness of government initiatives.

Shaikh, Y. Z. (2019), this study focused on the idea of starting a business. This article's main goal is to shed some light on startup projects around the globe and in India. The article also included a general summary of the Goa startup environment. Mainly secondary data were used to inform this study. Websites, journals, newspaper stories, government reports, research papers, and other sources were used to gather the data. The study is conceptual and descriptive in character.

Gupta, S., Satpathy, B., & Baral, S. K. (2022), the majority of the study was descriptive. Both secondary and primary data supported the investigation. Various start-up action plan websites, periodicals, and newspaper articles were used to collect secondary data. Direct oral interviews with 150 tribal youth in the TSP region of Southern Rajasthan allowed for the collection of primary data on start-up India and other government flagship activities.

Audretsch, D., Colombelli, A., Grilli, L., Minola, T., & Rasmussen, E. (2020), this article reviewed and categorized 39 global policy measures that address the phenomena of innovative start-ups. We develop a process framework by elaborating on (i) the antecedents of the creation of innovative start-ups, (ii) their founding characteristics, (iii) their behavior, and (iv) the outputs and impacts generated by them using insights from the papers mentioned in this special issue. Our paradigm demonstrates how conceptual differences between policy initiatives, management concerns, and research methodologies depend on the particular stage of business development. We conclude with recommendations for future research and policy activities.

Azam, A, (2021) this study used secondary data from a variety of sources and was a descriptive one, with a primary focus on the role of startup India in economic development and its challenges and future potential.

III. Research objectives

- To study the startup initiative in India.
- To study the various schemes towards start up initiatives in India.
- To analyses the MUDRA scheme towards New Startups Entrepreneur.

IV. Research questions

- ❖ What are the key government schemes implemented in India to support startup initiatives, and what are their main objectives and features?
- ❖ What are the eligibility criteria for startups to avail benefits under these government schemes, and how are these criteria defined and evaluated?
- ❖ What are the specific benefits and incentives provided by the government schemes to support startups, and how do these contribute to the growth and development of the startup ecosystem?

V. Methodology

Research Design: The study will employ a descriptive research design to provide a comprehensive overview and analysis of government schemes for startup initiatives in India. A qualitative approach will be adopted to gather detailed information and insights about the schemes and their impact on the startup ecosystem.

Data Collection: Secondary data: Extensive literature review will be conducted, including academic articles, government reports, policy documents, and case studies of successful startups.

Selection of Government Schemes: A thorough review and analysis of the available government schemes for startups will be conducted to identify the key schemes for inclusion in the study. The

selection will be based on the relevance, significance, and impact of the schemes on the startup ecosystem in India.

Data Analysis: Qualitative data from interviews, surveys, and secondary sources will be transcribed, coded, and thematically analyzed to identify key patterns, themes, and insights. Comparative analysis will be conducted to examine the similarities and differences among the identified government schemes. The analysis will focus on key features, eligibility criteria, benefits, challenges, success stories, and the overall impact of the schemes.

VI. Government Schemes for Startups: An Overview

Definition of Startup: The definition of a startup can vary depending on the context and the source. In the context of government schemes for startup initiatives in India, the definition generally aligns with the one provided by the Department for Promotion of Industry and Internal Trade (DPIIT), Government of India, under the Startup India initiative. According to this definition, a startup is defined as follows:

"A startup is an entity, incorporated or registered in India not more than ten years ago from the date of its incorporation/registration. However, in the case of biotechnology startups, the period shall be up to fifteen years from the date of incorporation/registration. It should aim to develop and commercialize a new product, process, or service driven by technology or intellectual property."

Based on this definition, startups are typically characterized by the following aspects:

1. **Timeframe:** The startup should have been incorporated or registered in India within the last ten years (or fifteen years in the case of biotechnology startups) from the date of incorporation/registration.
2. **Innovation and Commercialization:** The startup should have a focus on developing and commercializing a new product, process, or service. The emphasis is often on leveraging

technology or intellectual property to drive innovation.

Evolution of Startup Initiatives in India:

The evolution of startup initiatives in India has been driven by various factors, including economic reforms, technological advancements, and the recognition of the importance of entrepreneurship in driving innovation and economic growth. Here are key phases in the evolution of startup initiatives in India:

1. Pre-Liberalization Era (Pre-1991): Prior to the economic liberalization in 1991, the Indian economy was characterized by a controlled and regulated environment with limited opportunities for entrepreneurship and private sector participation. Startups were primarily focused on traditional industries and faced numerous regulatory hurdles and bureaucratic challenges.

2. Economic Liberalization and IT Boom (1991-2000): The economic reforms introduced in 1991 opened up the Indian economy, leading to increased foreign investment and the emergence of a more favorable business environment. The IT boom in the late 1990s played a significant role in shaping the startup ecosystem, with a focus on software services and IT-enabled services. The growth of technology parks and the establishment of incubators provided infrastructure and support for startups.

3. Rise of E-commerce and Mobile Technology (2000-2010): The early 2000s witnessed the emergence of e-commerce startups, driven by increasing internet penetration and a shift towards online shopping. The advent of mobile technology and the widespread use of smartphones created new opportunities for startups, particularly in sectors such as mobile apps, digital payments, and online marketplaces. Angel investors and early-stage venture capital firms started showing interest in supporting startups, leading to the growth of the startup funding ecosystem.

4. Startup India Initiative and Government Support (2015-present): In 2015, the Government of India launched the Startup

India initiative to foster innovation and entrepreneurship in the country. The initiative introduced various policy reforms and measures to create a favorable ecosystem for startups, including tax incentives, easier business registration, and access to funding and mentorship. Government schemes such as Startup India, Standup India, and Atal Innovation Mission (AIM) were introduced to provide financial assistance, support infrastructure, and promote innovation among startups. The government's focus on startups has led to increased awareness, a surge in funding, and the growth of incubators, accelerators, and co-working spaces across the country. **Expansion Beyond Tech Startups (Present):** The startup ecosystem in India has evolved to include startups in diverse sectors such as fintech, healthcare, agritech, edtech, renewable energy, and social entrepreneurship. The focus has shifted towards solving local challenges, creating social impact, and addressing the needs of underserved markets. The involvement of corporate in supporting startups through innovation programs, incubation centers, and funding has further contributed to the growth of the ecosystem.

The evolution of startup initiatives in India has been a dynamic process driven by changing economic, technological, and policy landscapes. The government's active role in promoting entrepreneurship and creating an enabling environment has played a crucial part in nurturing the startup ecosystem and attracting investments and talent to the country

VII. Analysis of Government Startup Schemes

Scheme 1: [The Startup India Initiative]: The Startup India Initiative, launched in 2016 by Prime Minister Narendra Modi, has emerged as the flagship government scheme for startups in India. With a wide reach, encompassing over 50,000 businesses, this initiative offers a plethora of resources, including ebooks, courses, and mentorship programs, to foster leadership

and skill development among entrepreneurs. Key advantages provided by the Startup India Initiative include tax exemptions, cost reduction measures, a streamlined business wind-up option within 90 days, access to funds, self-certification compliance under labor and environmental laws, and expedited patent registration with an 80% fee rebate. To be eligible for this government scheme, startups must be registered as a partnership firm, private limited company, or LLP. Their turnover should not exceed 100 crores in any of the previous financial years, and they must apply within ten years from their date of formation.

Scheme 2: [The Startup India Seed Fund Scheme (SISFS)]: The Startup India Seed Fund Scheme (SISFS) is a government initiative that provides financial support to early-stage startups in India. With a total budget of 945 crores, the scheme aims to assist startups in their market entry, prototype development, product trials, commercialization, and proof of concept stages. It is expected to benefit around 3600 startups in the country. Under the scheme, grants of up to 20 lakh rupees are provided to startups for the development of trials or prototypes. The primary objective of the scheme is to foster an innovation-driven culture and promote startup development in India. To be eligible for the Startup India Seed Fund Scheme, startups must meet the following criteria:

1. **Recognition by DPIIT:** The startup must be recognized by the Department for Promotion of Industry and Internal Trade (DPIIT), which is the nodal agency for startup recognition in India.
2. **Scalable, Innovative, and Tech-based:** The product or idea proposed by the startup should be scalable, innovative, technology-driven, and feasible for implementation.
3. **Indian Promoters:** The Indian promoters or founders of the startup must hold shares equal to or more than 51% of the company.

4. **Timely Application:** The startup must apply for the scheme within two years from the date of its incorporation.

One unique selling point of the Startup India Seed Fund Scheme is its industry-agnostic approach, meaning it supports startups across various sectors and does not require physical incubation. This allows startups from diverse domains to benefit from the scheme and receive the necessary financial assistance to propel their growth and development.

Scheme 3[Pradhan Mantri MUDRA Yojana (PMMY)] PMMY is a government scheme launched by the Government of India in 2015 with the aim of promoting entrepreneurship and providing financial support to micro and small enterprises. The scheme primarily focuses on facilitating loans to non-corporate, non-farm small/micro enterprises.

Key features of the Pradhan Mantri MUDRA Yojana include:

- 1. Loan Categories:** The scheme offers loans under three categories - Shishu, Kishore, and Tarun - based on the stage of business and financial requirements. Shishu: Loans up to ₹50,000 for businesses in the initial stages. Kishore: Loans ranging from ₹50,001 to ₹5,00,000 for established businesses looking for expansion. Tarun: Loans ranging from ₹5,00,001 to ₹10,00,000 for larger enterprises with higher capital requirements.
- 2. Loan Eligibility:** Micro and small enterprises, including small manufacturing units, vendors, shopkeepers, artisans, and service providers, are eligible for loans under PMMY.
- 3. Loan Processing:** The loans are provided by various financial institutions, including banks, non-banking financial companies (NBFCs), and microfinance institutions (MFIs), which are registered under the PMMY scheme.
- 4. Collateral-Free Loans:** Under PMMY, loans up to ₹10,00,000 are collateral-free, meaning borrowers do not have to provide any collateral or security for obtaining the loan.

5. **Refinancing:** MUDRA also provides refinancing support to eligible financial institutions, which enables them to offer loans to micro and small enterprises.

IT has played a significant role in promoting entrepreneurship, fostering financial inclusion, and supporting the growth of micro and small enterprises in India.

VIII. Results and discussions :

The table shows that number New Entrepreneur Accounts Opened during 201-2022

Number of New Entrepreneur Accounts Opened during 2015-2022		
Year	No accounts in Lakh	Average
2015-16	124.75	16.72
2016-17	99.9	13.39
2017-18	126	16.89
2018-19	133.93	17.95
2019-20	119.13	15.97
2020-21	77.4	10.38
2021-22	65	8.71
Total	746	100.00

Source: PMMY website

Overall Trend: The total number of new entrepreneur accounts opened during the period is 746 lakh (7.46 million). The data shows fluctuations in the number of accounts opened over the years, with some variations in the annual figures.

Year-wise Analysis: 2015-16: The highest number of accounts opened during this year with 124.75 lakh (12.47 million) accounts, representing 16.72% of the total accounts. 2016-17: The number of accounts decreased to 99.9 lakh (9.99 million), accounting for 13.39% of the total. 2017-18: There was an increase in the number of accounts to 126 lakh (12.6 million), representing 16.89% of the total. 2018-19: The number of accounts further increased to 133.93 lakh (13.39 million), accounting for 17.95% of the total. 2019-20: The number of accounts decreased to 119.13 lakh (11.91 million), representing 15.97% of the total. 2020-21: A significant decrease was observed in the number of accounts to 77.4 lakh (7.74 million),

accounting for 10.38% of the total. 2021-22: The number of accounts decreased further to 65 lakh (6.5 million), representing 8.71% of the total.

Average Analysis: The average number of new entrepreneur accounts opened per year during the period is approximately 106.57 lakh (10.66 million). The highest average was seen in 2018-19 with 133.93 lakh (13.39 million) accounts, while the lowest average was in 2021-22 with 65 lakh (6.5 million) accounts.

Trends and Observations: The data shows an initial growth in the number of accounts opened from 2015-16 to 2018-19, indicating a positive trend in entrepreneurship during those years. However, there was a decline in the number of accounts from 2019-20 onwards, with a significant decrease in 2020-21 and 2021-22. The decrease in accounts in the later years could be attributed to various factors, including the impact of the COVID-19 pandemic on the business environment and economic uncertainties. Further analysis and examination of specific factors influencing the fluctuations in the number of new entrepreneur accounts would be required to gain a deeper understanding of the trends observed in the data.

The table shows that average of amount sanctioned and disbursed during 2015-2022

Year	Amount sanctioned in Average	Amount disbursed in Average
2015-16	10.390	10.392
2016-17	12.296	12.344
2017-18	16.423	16.522
2018-19	17.869	17.804
2019-20	16.728	16.741
2020-21	14.045	14.025
2021-22	12.249	12.172
Total	100.000	100.000

Source: PMMY website

Year-wise Comparison: 2015-16: The average amount sanctioned was 10.390, and the average amount disbursed was 10.392. The disbursed amount is slightly higher than the sanctioned amount by 0.002. 2016-17: The average amount sanctioned increased to 12.296, while the average amount disbursed

also increased to 12.344. The disbursed amount is slightly higher than the sanctioned amount by 0.048. 2017-18: Both the average amount sanctioned and disbursed increased, with the sanctioned amount at 16.423 and the disbursed amount at 16.522. The disbursed amount is higher than the sanctioned amount by 0.099. 2018-19: The average amount sanctioned slightly increased to 17.869, while the average amount disbursed slightly decreased to 17.804. The disbursed amount is lower than the sanctioned amount by 0.065. 2019-20: Both the average amount sanctioned and disbursed remained relatively stable at 16.728 and 16.741, respectively, with the disbursed amount slightly higher than the sanctioned amount by 0.013. 2020-21: There was a decrease in both the average amount sanctioned to 14.045 and the average amount disbursed to 14.025. The disbursed amount is slightly lower than the sanctioned amount by 0.020. 2021-22: Both the average amount sanctioned and disbursed decreased further, with the sanctioned amount at 12.249 and the disbursed amount at 12.172. The disbursed amount is lower than the sanctioned amount by 0.077.

Trends and Observations: Overall, the data suggests that, on average, the amount disbursed closely aligns with the amount sanctioned. In some years, the disbursed amount is slightly higher than the sanctioned amount, while in other years, it is slightly lower. The variations between the sanctioned and disbursed amounts could be attributed to factors such as loan utilization, repayment behavior, and the effectiveness of the disbursement process.

IX. Conclusion

The study highlights the significance of the Startup India Initiative, which is the largest government scheme for startups in India. It offers several benefits, including tax exemptions, cost reductions, access to funds, fast-track patent registration, and easy business wind-up options. The eligibility criteria for this scheme require the startup to be registered as a partnership firm,

private limited company, or LLP, with turnover limitations and a specific time frame for application.

Another important scheme analyzed in the study is the Startup India Seed Fund Scheme (SISFS), which provides financial assistance to early-stage startups for market entry, product trials, and prototype development. The SISFS aims to foster innovation and doesn't require physical incubation, making it industry agnostic. The eligibility criteria for this scheme include recognition by the Department for Promotion of Industry and Internal Trade (DPIIT), the innovative and scalable nature of the product or idea, and the majority shareholding by Indian promoters.

The study also provides data on the number of new entrepreneur accounts opened and the average amount sanctioned and disbursed during the period from 2015 to 2022. The data reveals fluctuations in the number of accounts opened and variations in the average amounts sanctioned and disbursed over the years, influenced by factors such as economic conditions, policy changes, and the overall business environment.

Overall, the study highlights the government's efforts to create an enabling environment for startups in India through these schemes. It provides valuable information for entrepreneurs, policymakers, and researchers interested in understanding and analyzing the impact of government initiatives on the startup ecosystem. Further research and analysis can be conducted to delve deeper into the effectiveness and outcomes of these schemes, as well as their implications for the growth and success of startups in India.

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