

Role of the Startup India Scheme in developing entrepreneurship in India

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Abstract:

The Startup India Scheme, launched in the year 2016, is one of the flagship programs of the Indian government to boost the entrepreneurship sector in the nation. This paper studies this scheme more deeply, understanding its intricacies and layers, and its impact as showcased by the government. Through a content and case analysis of data reported by other academic and journalistic sources, a critical review of this scheme has been conducted to better understand the impact that this scheme has created. The paper reveals that the scheme has yet to be implemented systematically and thus does not reap the benefits most effectively. Lastly, based on suggestions provided by economics, exporters, and intellectuals in the academic field, a way forward has been discussed, for bridging the gap between the targets aimed, and the potential targets, such as proper source and timing of funds, creating a conducive environment, and imparting skill education in educational institutes to give entrepreneurs practical knowledge for taking their startups not just to become a unicorn and fall later, rather a sustainable entity that attracts customers, retains them, and goes on to achieve customer delight.

Keywords: Startup India scheme, entrepreneurship, startups, entrepreneurial education.

Introduction:

It is imperative to state that a new wave of employment has begun in India. For a long period, people have been dependent on the regular “9-5” jobs, especially jobs in the government sector. Recent trends reflect that Indian citizens have started to roll over to self-employment, specifically speaking, building a startup. India had nearly 50,000 startups in 2018, but by the end of the year 2023, the number increased to more than 1.14 lakh ([DPIIT, 2024](#)). For further encouragement and support, the government has been undertaking extensive initiatives, “Startup India” being one of its flagship

programs, which began in the year 2016. However, soon evidence-based news and articles were making the rounds in the public, displaying how this start-up in India has been an underachiever in its purpose. Irrespective of the competitive environment being created, startups have been unable to sustain themselves. One may credit numerous factors behind this failure, such as appropriate taxation policies, partnerships with industry experts, or funding mechanisms. At its very core, it is the entrepreneurial skill development that is a must. Priority should be given to this in academics before focusing on incubation centers. Academic institutions should be encouraged to organize regular hackathons and other skill development seminars, rather than limiting themselves to the traditional sources of education, such as books and lectures. Incorporating the practical aspect of the subject matter into teaching assists in bridging the gap between theory and real-world practice ([Rajaratnam & Campbell, 2013](#)). Undoubtedly, India has improved its attractiveness as a destination for business, yet a long way is ahead. Reaching the impressive position of 63 out of 190 nations in the rankings of the Ease of Doing Business (Doing Business database, 2020), the nations' learning curve towards the startup ecosystem can be stated to be on the growth track.

A Brief History of Entrepreneurship and Start-ups in India:

The term startup is perceived by many to be a recent event; however, this can be attributed to its extensive marketing done by the government. Entrepreneurship began in India way back in the 1980s through the efforts of the then-major players, namely, TCS and Infosys, among others. The next decade saw the arrival of other giants such as Bharti Airtel Limited, one of the leading companies in today's Indian telecom industry ([Gulshan & Erande, 2024](#)). Apart from this, the entities referred to as unicorns have also found their place in the Indian subcontinent, which is a private company having a valuation of \$1 billion or more ([Aggarwal & Gupta, 2018](#)). The growth has been such monumental that India now has 72 unicorns on its list, a fair fact to show off. On the darker side of the grass, this number was around 100 just a year preceding that year, but then again rose to 113 as of January 2024. This trend line, which rises and then falls again, does indeed ring a bell of worry. Governments, whether the ones in the past or the current ones, have always viewed startups positively and in their own ways, assisting their growth and development. Both financial and academic aid were being provided for entrepreneurial development. Initial startups that moved their way up to be unicorns were Byjus, Zoho, Zerodha, and more. Later on, a specialized scheme regarding startups was set into motion by the newly elected government in 2016, termed the Startup India Scheme. This scheme was packaged along with its sister schemes like Mahila Samridhi Yojana, Mudra Yojana, and the Standup

scheme, among others. No wonder such initiatives instilled motivation in the minds of the citizens of the nations, which led to a greater number of startups being built. In one of its reports for 2023, DPIIT mentioned that on an average scale, more than 3100 startups have been launched in India, from the period between 2014 and 2023, and \$146 billion has been raised by such startups since then. Amidst all these glitters and sparkles, articles broke out that Byjus, one of the wealthiest private companies, is unable to pay its staff salaries and shut down all of its physical locations in PAN India ([ET Online, 2024](#)). The reasons stated have been unclear, yet it does threaten what entrepreneurs might be facing. The present paper shall focus more on the Start Up India scheme, analyzing its impact on the Indian entrepreneurship landscape, move its way to the technicalities of the scheme, the historical records disclosed by the relevant authorities, and then move its way to understanding the positive impact it has created, in comparison with what it stated to achieve. Regardless of the outcome, relevant suggestions shall be produced, considering independent research papers around the world relating to the startup sector, and then discussing their implementation in India.

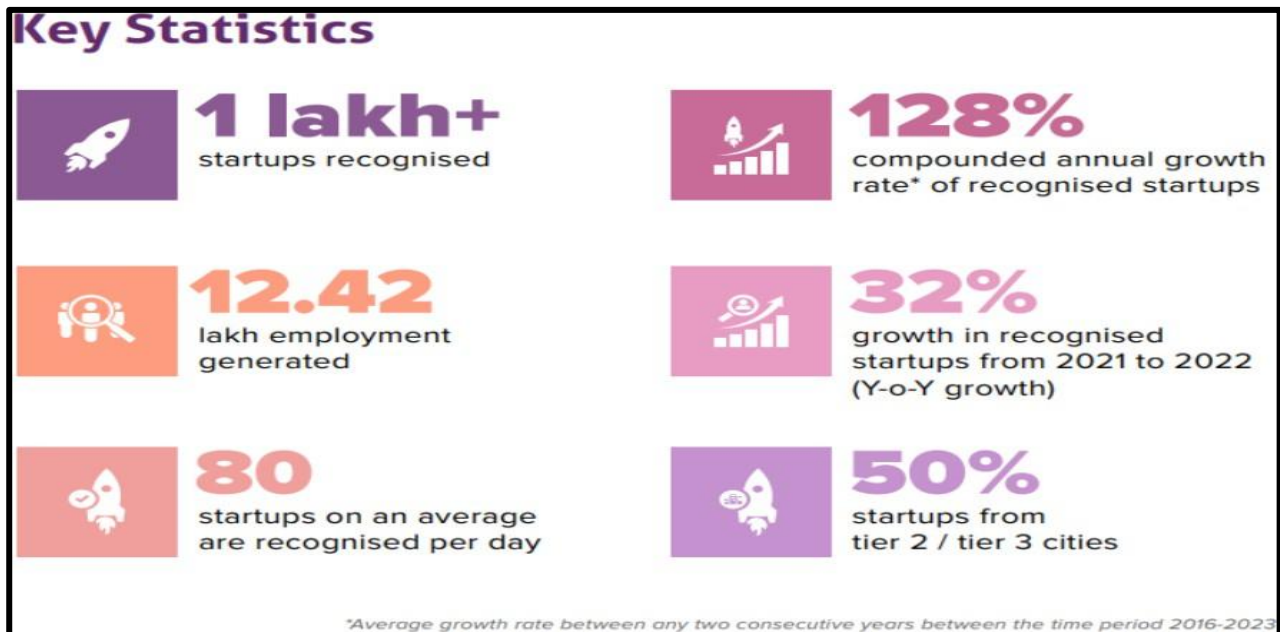
Startup India Scheme: A Brief Introduction

The Startup India initiative began its journey in the year 2016 with Prime Minister, Mr. Narendra Modi giving it a green flag. The scheme is maintained by the Department of Promotion and Industry and Inter Trade (DPIIT), Ministry of Commerce and Industry. The scheme aimed towards effective support for job seekers, entrepreneurs, and the startup landscape in general. It is often cited by critics as an old wine served in a new bottle because of its similarity to the policies already existing at the time of the previous government. The difference is that it was made more systematic and easily comprehensible, and lastly, marketed at a large level across the nation. Contrary to popular belief, Startup India is not a sole scheme in itself, but rather an umbrella term for various schemes under it, such as the MeitY Startup Hub, DST Scheme, Atal Innovation Mission, schemes for women entrepreneurs at the state level and the list has quite some more names as mentioned on its official website.

Impact of Startup India Scheme through Statistical Data:

As per a report published by Startup India itself, there have been more than 1 lakh startups recognized, with around 50% of them belonging to Tier 2 and Tier 3 cities (Figure 1) ([DPIIT, 2024](#)). These cities were namely, Delhi, Uttar Pradesh, Gujarat, Maharashtra, and then followed by the state of Karnataka.

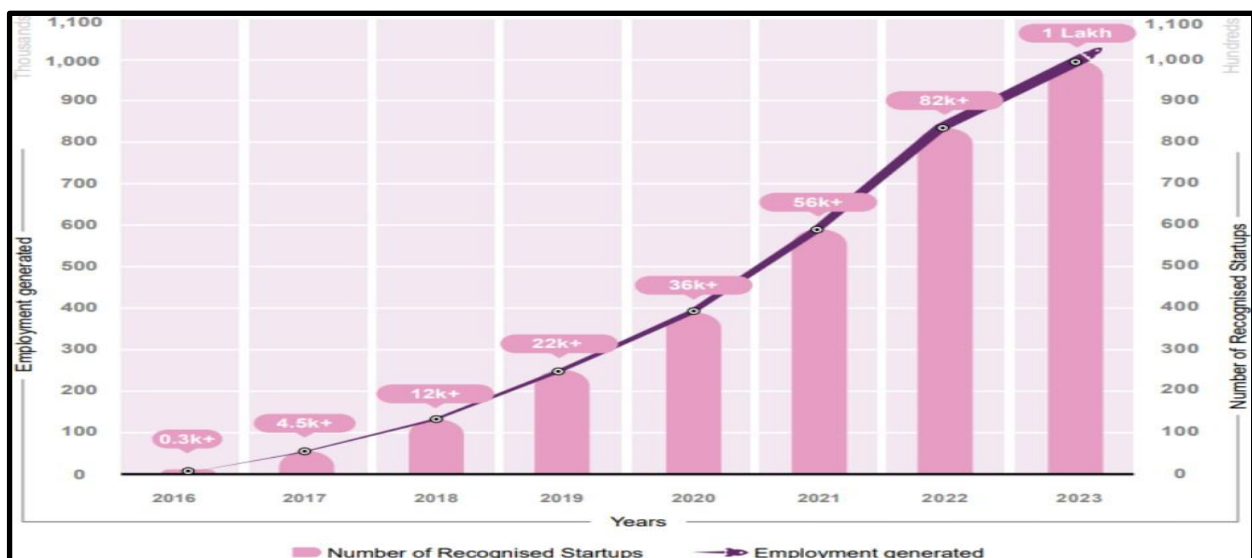
Figure 1: Key Statistics of Startups in India for the period 2016-2023



Source: www.startupindia.gov.in

Furthermore, statistics say that nearly 13 lakh employments have been generated by these entrepreneurs between the period 2016 to 2023, and each startup raised 11 employments on average (Figure 2).

Figure 2: Employment Generated v/s Number of Recognized Startups



Source: www.startupindia.gov.in

Furthermore, out of the total, it is the Information Technology Industry that has tasted most of the success through the hard work of the entrepreneurs, followed by the health sector and the Education sector, respectively (Table 1). A fun fact to be noted here is that the Construction Industry took the third position as the largest employer in the Tier 2 and Tier 3 cities.

Table 1: Startups and Employment Across Industries

Industry	Startups Recognized	Employment Generated
Services (Application Development, Product Development, IT Consulting, etc.)	>13500	>1.52 Lakh
Healthcare (Health and Wellness, Healthcare Services, Pharmaceuticals, etc.)	>11000	>1.11 Lakh
Education (Education Technology, Skill Development, etc.)	>7100	>69000

Source: Created by Author

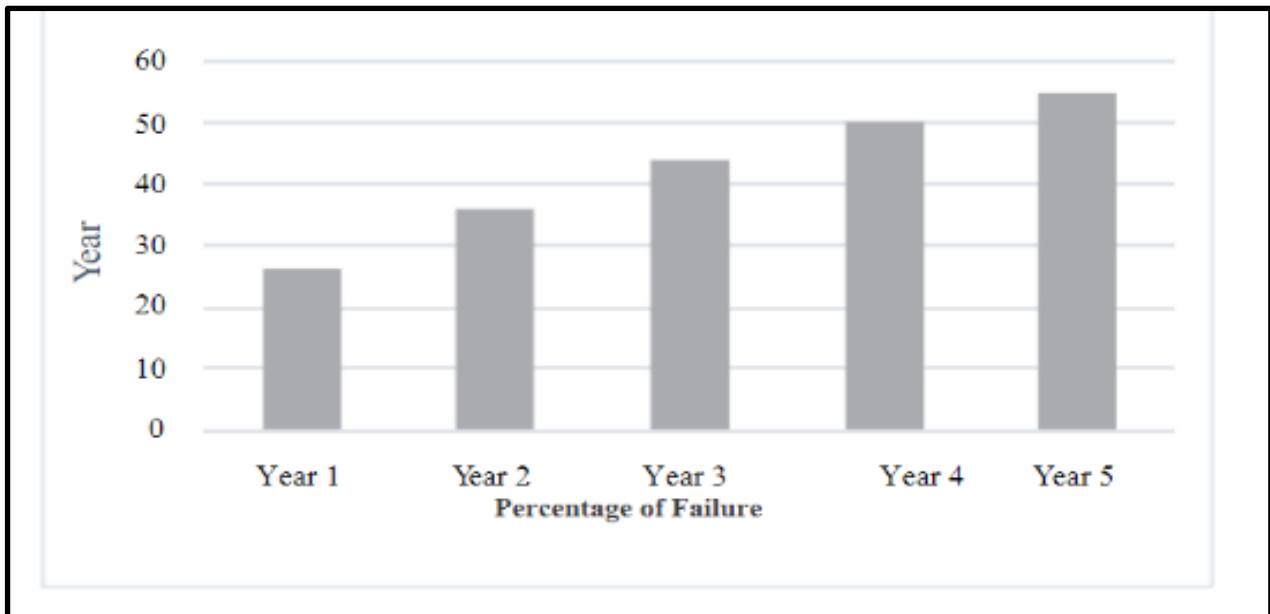
Thus, the data, as shown by the government, directly emphasized the importance of the Startup India scheme for the growth of entrepreneurs and new businesses in a growing economy like India. However, when data was collected from non-governmental agencies, the results that came out were quite disheartening and extremely critical for the true appraisal of these schemes. Some of these have been portrayed in the next section of this research study.

The Dark Side of the Startup India Scheme:

Under all those self-appraised data, a careful analysis made some significant revelations. Firstly, by the end of 2024, only 2975 startups launched from the beginning of the scheme implementation could qualify for the tax benefits. This number is quite small compared to the number of startups registered, and even minute compared to the huge population of the country. A major factor behind this turns out to be cumbersome administrative work that goes behind in filing for this

exemption and getting it approved. Xeler8 Analytics, a major company in the area of statistical data collection and analysis, revealed that around 26% of the startups fail at the end of the first year, which then goes on to increase to 50% by the end of the 4th year (Figure 3).

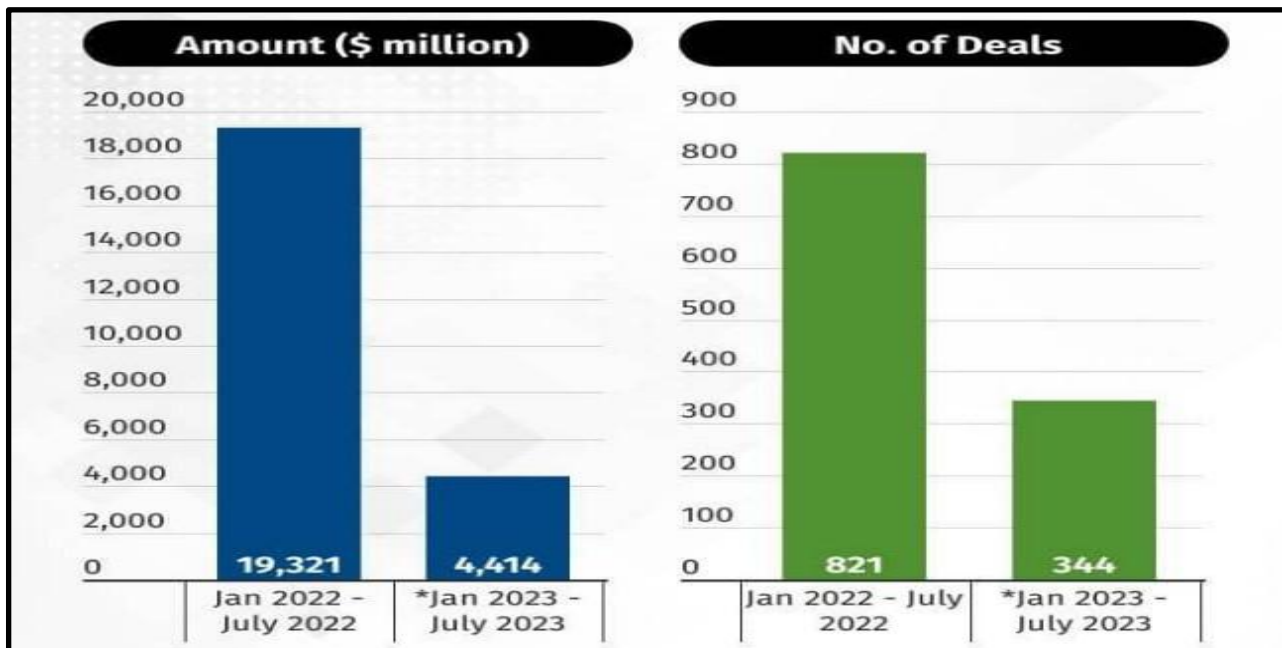
Figure 3: Age Pattern of Failed Startups



Source: Xeler8 Analytics

It is mostly the startups that are unfunded or unable to raise the required funds that fail. Specifically, it is the E-Commerce industry that has to face the maximum number of failures, followed by the Logistics and the Food Tech Industry. The Indian start-ups faced a crunch of funds of about 77% in the year 2023, compared with the year 2022 ([Verma, 2023](#)) (Figure 4). Due to this, the funding arm under the scheme, known as the “fund of funds,” has been severely affected.

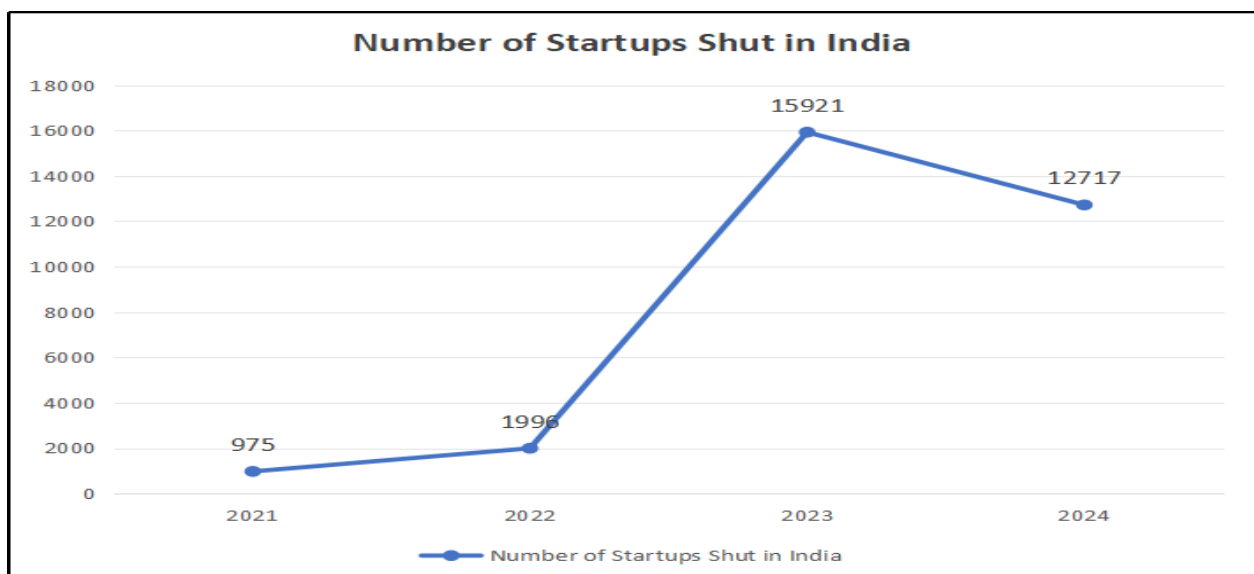
Figure 4: VC Investments in India for the period 2022-2023



Source: Venture Intelligence

Speaking about the recent data, around 28638 startups shut down their business between 2023 and 2024, which was exponentially greater than the number of startups shut down in 2021 and 2022, i.e., 2971 (Figure 5).

Figure 5: Number of Startups shut in India



Source: Tracxn.com

The shortcomings of the Start-up India Scheme and the way forward:

Based on various reports published and articles by economists and journalists, key points have been laid down, encompassing the reasons behind Start-up India being poorly implemented. As previously mentioned, funding is the main issue behind the scheme being paralyzed. Venture capitalists are now investing less than before in the Indian start-up industry ([Dwivedi, 2019](#)). It has been reported that Indian businesses suffer from over-regulation, more than the lack of administrative rules and regulations ([Ministry of Finance, 2022](#)). Based on an independent survey conducted by Local Circles in the year 2018, on a social media community platform, out of a pool of respondents of more than 30,000, 41% of entrepreneurs mentioned that the rollout of GST hurt their business. As of the year 2021, most of the entrepreneurs or the heads running the startups and unicorns hail from the elite list of institutions, which strengthens their credibility towards investors. This perception has seriously affected the funding to other candidates who are intellectually worthy, but do not have a background of being related to any highly esteemed colleges or institutes ([Sreekumar et al., 2022](#)). Inappropriate valuation of startups is another factor that hits these startups, who overvalue their business based on a false or highly Utopian basis, but in reality, do not even come close to that number. This overvaluation leads to the setting up of unrealistic targets, impacts future fundraising, and ultimately, poor decision-making by the management. The slashing of the valuation of Byjus by 50% is one of the recent examples of this.

An idea, as revolutionary as it could get, would still be referred to as a failure if it fails to attract customers. Many said that the way Byjus treated its employees as “slaves” with their abusive practices was one of the curses that has come back to haunt them. Reduced employee morale is another factor for failed startups. Though the Startup India website boasts skills education and development in the entrepreneurial field, it is the schools and colleges that are yet to equip themselves with this upskilling curriculum. There is indeed something inherently wrong with an education system when an intermediate student knows that mitochondria are the powerhouse of a cell, yet does not know how to file his income tax, or worse, know the website for the ITR filing.

Suggestions for Improvement:

- Innovation is something these entrepreneurs need to learn about, and more importantly, smart innovation, rather than blindly copying business models from other nations.

- Investing in your human resources, their work conditions, and financial incentives will motivate them to give better ideas, work harder, and go out of their way to keep the company surviving and prospering.
- Policies and investments need to be better marketed to the entrepreneurs, letting them know the benefits they can reap. Moreover, merging the existing schemes into one and the benefits that they carry have also been advised by many.
- As per the statistics earlier reported, it is the IT industry that has attracted most of the entrepreneurs; however, the other sectors, such as Agriculture, need to be revamped too, so that they can be investor-friendly and thereby attract funds and know-how through them.
- It has been observed that there is still a blanket of unawareness among entrepreneurs regarding the various schemes they can benefit from. This information gap is undoubtedly one of the key elements of startups being unable to grow, and instead, falling back and losing their goodwill. Organizing events, developing easy-to-use mobile applications, and customized marketing tools would go a long way in keeping these entrepreneurs updated about the latest trends in the startup industry and thus bracing themselves beforehand.
- The academic institutions need to incorporate practical skills for budding entrepreneurs instead of just having a couple of theoretical subjects on skills development, with most of them outdated in terms of the modern needs of the startup industry ([Civildaily, 2021](#)).
- Partnership and joint ventures should not be limited to only companies, they must be practiced between companies and the academia as done by famous IT companies such as Oracle and Cisco, which make use of final year students as interns for their key operations, and based on their talent, offer them a permanent job after their course completion.
- The world is now switching over to the Next Gen of Information Technology for their businesses, such as Cloud Computing, Blockchain, and the most recent one, Artificial Intelligence. Presentations and Documents are being created in a couple of clicks, and MS Word and Excel are gradually turning into yesterday's apps. Indian startups should carefully analyze the costs and benefits of these technologies and implement them smartly into their businesses.

- Startups like Zepto and MBA Chaiwala are run by young entrepreneurs, which does sound inspiring, but in rational terms, it could be dangerous, considering their lack of experience in the startup industry. It is advised to have experienced Board members on such startups that would ensure fair and stable financial and economic suggestions are brainstormed and mentorship is imparted, instead of working on intuition and adrenaline that young entrepreneurs generally have within their DNA.

Conclusion:

Governments never fail to come up with novel development programs to gain trust in the minds of their citizen. Their motive might be said to be in the right direction, but the issue lies in the careful planning, analyzing feasibility, and timely execution and monitoring of such programs. The Startup India scheme is among such programs. Though it was launched to foster entrepreneurship and innovation in the country, a careful examination portrays a different picture. The scheme still faces challenges relating to policy formulation and regulatory and legal reforms. As listed under the reasons for the limitations of the scheme, the primary reasons for the hampered growth, fall, or crawling of startups are attributed to delays in funds, bureaucratic issues, and a lack of experienced entrepreneurs. There has been a significant amount of disparity between the aspired targets and the ones achieved on the ground level. All these and ground-level implementation have led to reduced morale and spirits of the stakeholders of this entrepreneurship landscape. Currently, the need for policymakers is to conduct thorough reassessments of the present performance of the schemes in their truest sense, rather than just boasting over their half success. The actual performance is then required to be compared and contrasted with the performance or targets that were predetermined, and the gaps that exist must be evaluated surgically. Ultimately, as mentioned in the suggestions portion of the paper, there is a need for collaboration and cooperation between policymakers, the government, the industry, and academia to make this scheme a fulfilling one in all its aspects. It is irrational to mention here that any steps taken would indeed be perfect and lead to a cosmic level of blessing to the entrepreneurs

and startups nationwide, but what is required is regular monitoring and feedback regarding the objectives being fulfilled. Developed nations such as the US and Japan are examples that it is the entrepreneurs who bring upon change, rather than just importing ideas from abroad. Self-reliance and self-sufficiency have always been taught throughout ancient times, which is what should be valued and thus incorporated in every scheme that is aimed at economic development.

Conflict of Interests:

No potential competing interest was reported by the authors.

Funding details:

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Data Availability:

The data used in this study, including stock prices and public reports, were obtained from publicly accessible sources such as BSE India, NSE India, and Investing.com. No proprietary or restricted-access data was used.

Use of Generative Artificial Intelligence (GenAI):

The authors confirm that AI tools such as ChatGPT and Grammarly have been used solely to improve the sentences used to enhance the clarity of the manuscript. The tools were, however, not used for generating technical content, analyzing or interpreting the data, or drawing conclusions. The authors agree to take full and unconditional responsibility for the content of this manuscript.

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