



A State-Wise Comparison OF Start-Up India Scheme: A Way TO Restore THE Indian Economy

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ABSTRACT

India is the fifth-largest economy in the world with a GDP contribution of USD 3.5 trillion and it is expected to become the world's second-largest economy by 2050. The rising economic growth is an indicator of the increasing global reliability of the country. A country that was badly exploited once by the colonial power is standing on the cusp of tremendous growth and depicting the progressive trend in almost every sector, but Rome was not built in a day. The significant status that India is upholding currently is the result of the efforts of the active population and supportive government of the nation.

Government plays a key role in the prosperous development of every economy. It is the key contributor to the nation's prosperity and the supportive schemes or initiatives and their effective enforcement is a step in that direction. The best example of a government-supportive program is the **Startup India Scheme**. It is the flagship initiative of the Government of India launched in January 2016 to promote the nation's growth by building a strong, inclusive, and robust economy. It promotes innovation and entrepreneurship in the country, positioning India as self-reliant in production and employment generation. Startup India Scheme focuses on providing easy funding and attractive incentives to startups by simplifying entry and exit provisions, fast-tracking facilities, and creating more innovation labs and incubators for better exposure. This paper tries to develop a thorough understanding of Startups, their significance, and the challenges they face. It also highlights programs or initiatives, which was taken by the government in this direction.

Keywords: Startup India Scheme, Global reliability, Flagship initiative, Robust, Innovation Entrepreneurship, Incubators, Innovation lab.

Introduction

India is a country with not only the second highest population but also a land that is endowed with a rich cultural and natural heritage. It has an abundant resource which if effectively utilized proves extremely beneficial to mankind and to the economy. Startup emerges as a perfect alternative for the effective use of such latent resources and provide an immediate solution to the problems of the economy like unemployment. Hence, an initiative named Startup India was launched to develop a suitable ecosystem and facilitate hassle-free incorporation and registration of the startups. **The Startup India** scheme is the initiative of the Government of India and is organized by the Department of Promotion of Industry and Internal Trade (DPIIT). This scheme was announced by the honorable PM Narendra Modi on 15 August 2015 and launched effectively on 16 January 2016. The main objective of this scheme is to promote startups by providing them guidance and financial support so that they can effectively contribute to the restoration of the economy. Some of the benefits of the Startup India initiative are as follows:

- Easy Mechanism** - Under the Startup India Scheme, a Start Hub India hub is established which will help in the quick registration and incorporation process and quick redressal of grievances. It provides a way for hassle-free compliance by simplifying the entry and exit procedures.
- Financial assistance** - the fund of Rs. 10,000 Cr has been earmarked for 4 years, from which the government invests 2500 Cr every year for 4 years, and the financial assistance in the form of tax exemption is provided to the startups under section 80 IAC for the initial period of three years from the date of the incorporation.

- c. **Government Support** - Startups are treated as the priority areas of the government because they not only cater to the demand of the local people but also contribute significantly towards the country's GDP. Startups because of their social and economic relevance get the edge over others in terms of Government assistance
- d. **Better Exposure** - Under the Startup India initiative, the government organizes various awareness and training programs that provide emerging entrepreneurs with better exposure.

Significances and Challenges Associated with Startups

A **startup** is defined as an entity that is-

- Headquartered in India and has not completed 10 years from the date of its incorporation
- Incorporated either as a Private Limited company, Registered partnership firm, or LLP
- Has an annual turnover of less than 100 Cr.
- Should not be formed by the way of reconstruction of existing business or splitting of the business.
- Working towards the development, modification, and improvement of those products/services or processes that should be a scalable unit. (Unit capable of generating employment and wealth).

Startups are the engine of the growth and development of the country. It is a way through which the job seeker becomes the job provider. Startups are essential for a developing nation like India as it has the following significance -

- ✓ Startup brings new ideas and innovation into the economy and makes the individual and country self-reliant.
- ✓ By undertaking production activities, it contributes significantly to the GDP and national income of the country.
- ✓ It promotes research and development and brings dynamism and competitiveness to the economy.
- ✓ It helps in creating new job opportunities and offers the immediate solution to the chronic problems of the country like poverty and unemployment.

Setting up of business requires a lot of resources, guidance, and support. They are basic elements for the incorporation and successful accomplishment of business goals. But sometimes it was found that Startups are not getting enough support and guidance from the government and financial intermediaries, which blocks the investment plan and reduces their confidence. They face numerous difficulties and delays in the registration and certification process. They are unable to buy advanced technology or avail the services of experts or consultants because of the absence of sufficient financial assistance this proves to be a great setback for the economy as a whole. To resolve these challenges some programs or schemes are launched by the government to help and assist startups. Some of them are mentioned below:

- **A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE):** This scheme was launched with the intent to provide help and accelerate entrepreneurial activities by encouraging innovation and catering to the financial needs of the agro-business industry. It provides help in the form of a one-time grant of 100 percent of the amount of plant and machinery or the amount of 100 Lakh whichever is lower. The main objective is to develop the agriculture sector by providing innovation and technology in agriculture.
- **Micro Unit Development and Refinance Agency (MUDRA) Yojna:** MUDRA is an NBFC which is incorporated in 2015 to provide financial support to micro-enterprises in India up to a maximum amount of 10 lakhs (without any collateral). The loan under this scheme is categorized into Shishu (new business) Kishore (middle-aged business) and Tarun (experienced) based on their age, capital requirement, and stage of development. This initiative was launched to promote entrepreneurship and empower entrepreneurs in the economy.
- **Zero Effect and Zero Defect (ZED) Certification:** It aims to encourage the production of a quality product with zero-defect possibility. Under this scheme, the government provides both financial and technical support, so that manufacturers can embrace world-class manufacturing processes.
- **Startup India Seed Fund (SIDF):** This scheme was formed with the intent to create a cordial ecosystem for new businesses and investments. In the union budget 2022, a reserve fund of 283.5 Cr is allocated to SIDF. It assists with prototype development, market testing & entry, product development, and commercialization.
- **Credit Link Capital Subsidy (CALS):** This scheme aims to make startups self-reliant in terms of technology so that they can become globally competitive. Financial assistance is provided for the purchase of new plant and equipment and for availing the advice or guidance of the consultant for improving the productivity of the plant.

According to the recent data published, India has 105 unicorns out of which 44 were registered in 2021 and 19 in 2022. India's performance is improving in the Global Startup Ecosystem Index (GSEI). GSEI is the index that ranks the country in terms of ease of starting a business. It ranks 1000 cities and 100 nations worldwide. Amazingly, India has become the third largest startup economy in the world after the USA and China.

States / Union Territory	Number of start-up jobs created	Number of start-ups registered
Maharashtra	146132	13519
Karnataka	103541	8881
Delhi	87643	8636
Uttar Pradesh	67694	6654
Gujrat	51193	4920
Haryana	48843	3985
Telangana	44649	3875
Tamil Nadu	39832	3953
Kerala	28451	3277
Punjab	24599	716
Madhya Pradesh	23198	2119

Table.1 State-Wise Distribution of Start-ups Registered and Number of Jobs Created
Source: Ministry of Commerce and Industry

The number of startups in India is increasing exponentially creating a source of employment for million number of people. In **Table.1** a state-wise distribution of the number of startups registered and jobs created by startups are given, in which the highest number of the startups are registered in Maharashtra resulting in the highest number of jobs created through the startups followed by Karnataka, Delhi, and Uttar Pradesh.

Literature Review

The startup is a company that usually struggles with its expansion in the country. It has three stages- bootstrapping, seed stage and the last is creation stage. In all these stages theory of entrepreneurship plays a prominent role and helps in overcoming the challenges that startups usually facing like financial constraints, lack of human resources, timely support system (**Salamzadeh & Kawamorita, 2015**). Most of the startups in India are in expansionary mode. For a significant increase in the GDP of the country, startups emerge as the best solution. A rise in the incubation center and the inclination of young people to start their ventures propelling the establishment of startups in the country(**Maradi, 2023**). The key to the flourishing of the startups is the innovation and the growth of the startups is the prerequisite for entrepreneurial development in the country. Startups emerge as a feasible solution for the country with the exponential population because they help in the creation of employment and cater to the demand of the local market (**Shaikh, 2019**). It can be said that the Startup India initiative (PM Modi's action plan) provides a big push to the new innovative ideas of the startups and it was also found the growth of startups is not possible without governmental support and regulations (**Ramchandani, 2017**).

The Indian government's introduction of the Startup India Scheme has attracted considerable interest from policymakers and researchers. Scholars have examined the effects of this on several areas of the Indian economy, such as entrepreneurship, innovation, job generation, and economic expansion. **Sharma and Jain (2019)** examined the policy framework of the Startup India Scheme and its efficacy in creating a favorable environment for the growth of startups. The significance of policy consistency, regulatory changes, and infrastructure development in achieving the scheme's goals was emphasized. In addition, **Gupta et al. (2020)** performed a comparative analysis of similar programs executed in other nations to extract insights and suggestions for enhancing the effectiveness of the Startup India Scheme.

The effectiveness of the Startup India Scheme depends on the strength and vibrancy of the entrepreneurial environment in India. Multiple studies have examined the various elements of this ecosystem and their function in facilitating the growth of startups. In this research, **Singh and Kapoor (2018)** examined the fundamental components of the entrepreneurial ecosystem, including financial accessibility, mentoring, networking, and regulatory framework. They evaluated their compatibility with the goals of the Startup India Scheme. They stressed the need for collaborative endeavors among the government, business, academics, and investors to provide a strong and supportive environment for the growth of startups. In addition, **Dasgupta and Mukherjee (2021)** examined how the plan affected the availability of venture capital, incubation support, and market access for entrepreneurs. They emphasized the difficulties and possibilities in efficiently using these resources.

A critical component of the Startup India Scheme is its emphasis on fostering innovation and facilitating the use of technology in many sectors of the Indian economy. Researchers have examined the impact of startups in promoting technological advancement, increasing productivity, and enhancing competitiveness. In their research, **Mishra and Sharma (2019)** investigated the rise of technology-driven startups in India and their impact on economic growth. They highlighted the significance of implementing laws that promote research and development, protect intellectual property rights, and encourage collaboration between startups and established companies to cultivate innovation ecosystems. **Rajput and Patel (2020)** analyzed the use of emerging technologies, including artificial intelligence, blockchain, and the Internet of Things, by businesses

participating in the Startup India Scheme. Their study emphasized the capacity of these technologies to revolutionize conventional sectors and generate new growth opportunities.

The primary objective of the Startup India Scheme is to promote job creation and economic growth by fostering high-growth startups. Researchers have analyzed the scheme's effect on job creation, enhancement of skills, and generation of money. In their study, **Kumar and Reddy (2019)** examined the impact of startups on employment in India. They estimated the number of jobs startups generate in various industries and areas. They emphasized the significance of government policies in fostering entrepreneurial activities and facilitating employment generation in emerging sectors. Moreover, **Sharma et al. (2021)** assessed the impact of companies backed by the program on GDP growth, the expansion of exports, and the promotion of innovation-driven entrepreneurship, offering valuable information on the broader economic consequences of developing a startup ecosystem.

Implementing the Startup India Scheme encounters many challenges, including legal obstacles, limited access to capital, and uncertainty in the market. Researchers have discovered these difficulties and suggested addressing them to maximize the scheme's influence. In their study, **Gupta and Kumar (2020)** surveyed startup founders and ecosystem players to pinpoint the primary obstacles that impede the success of startups inside the program. They proposed implementing policy measures such as streamlining rules, enhancing infrastructure, and fostering collaboration between business and academics to tackle these difficulties successfully. In addition, **Khan et al. (2022)** examined how international partnerships and global best practices influence the future direction of the Startup India Scheme. They highlighted the importance of implementing flexible policy measures and ongoing learning to maintain progress in changing economic realities.

Research Gap

A number of the study have been conducted earlier which evaluated the impact of the Startup India scheme only. This study tried to measure the extent of the relationship that persists between the startups registered and employment created by it. Along with that it also evaluates the status of the different states concerning the number of startups registered and jobs created by them.

Objectives of the Study

1. To develop a thorough insight into startups, their eligibility, significance, and challenges.
2. To discuss some popular schemes for promoting startups in the country.
3. To analyze the impact of startups on employment status.
4. To evaluate the position of different states of India in terms of the number of Startups registered.

Hypotheses

H₁: There is a significant relationship between the number of startups registered and the jobs created by them.

H₂: There is a significant difference between the number of startups registered and jobs created by them in different states of India.

Research Methodology

The study is based on secondary data, which was collected from websites, research papers, and the website of the government ministry. An in-depth study of the survey report is also made. This study adopted the deductive approach and the research design is causal. For testing the hypotheses Pearson's correlational matrix and independent t-test are used. The analysis of data and the presentation of the obtained results are carried out with the help of software named SPSS and MS Excel.

Analysis and Interpretation

H₁: There is a significant positive relationship between the number of startups registered and jobs created by them.

Table.2 Pearson's Correlation Analysis

Correlation		Jobs Created	Start-ups Registered
Jobs Created	Pearson Correlation	1	.985**
	Sig. (2-tailed)		.000
	N	11	11
Start-ups Registered	Pearson Correlation	.985**	1
	Sig. (2-tailed)	.000	
	N	11	11

** . Correlation is significant at the 0.05 level (2-tailed).

In this study, **H₁** stated that there is a significant relationship between the number of **startups registered** and the **Jobs Created** by them, for testing this hypothesis **Pearson's Correlation Matrix** was used. The results show that the value of correlation (r) is **0.985** (Table.2) indicating a high degree of positive correlation between both variables at a 95 percent significance level. It can be concluded that with the increase in the number of start-ups, a significant increase has been seen in the job opportunities created by them. Hence, the finding offers support to **H₁**.

H₂: There is a significant difference between the number of startups registered and jobs created by them in different states of India.

Table.3 Independent T- Test

		Levene's Test		t-test for Equality of Means						
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Interval of the Difference	
									Lower	Upper
	Equal variances assumed	15.84	.001	4.75	20	.000	55021.81	11566.43	30894.65	79148.9
	Equal variances not assumed			4.75	10.1	.001	55021.81	11566.43	29313.01	80730.6

Table.4 Group Statistics

Groups	N	Mean	Std. Deviation	Std. Error Mean
Job Created	11	60525.00	38186.70	11513.72
Start-ups Registered	11	5503.18	3658.23	1102.99

In this study, **H₂** stated that there is a significant difference between the number of startups registered and jobs created by them in India. For this T-test was applied and the findings are as follows:

- ✓ The value of Significance for the F-test is **.001** (Table.3) which is less than .05 so the variance is not assumed to be equal.
- ✓ An independent sample t-test was conducted to compare the difference between Job Created and Startup Registered. There were significant differences (**t (20) = 4.757, p = .001**). The mean score of Start-ups registered (**M= 5503.18, SD = 3658.23**) is lower than Job created (**M= 60525, SD = 38186.70**) the magnitude of mean differences (**Mean differences = 55021.81, 95% C.I: 29313.01 to 80730.62**) as mentioned in Table.4 was found to be significant.
- ✓ Here, **alpha = .05**, Using the bottom (**t =4.757**) the p-value for this t-test is **.001** (Table.4) which is less than **.05**; we can reject the null hypothesis. **H₂** was supported.

Conclusion

Startups are new businesses that not only bring innovation and competitiveness to the economy but also contribute significantly towards the GDP and employment opportunities in the country. But it is also a reality that these businesses are in their initial state of operation, so to thrive and survive in the market they need a lot of guidance and support from the government. For this government has started several schemes but the most popular one is the Startup India scheme. This initiative not only provides hassle-free registration and certification but also provides economic assistance, guidance, and better exposure to emerging entrepreneurs. In this study, a high degree of positive correlation is found between the number of startups registered in India and the jobs created by them. Maharashtra emerges as the state with the highest number of startups in 2022 followed by Karnataka, Delhi, and Uttar Pradesh. But when we look at state-wise startups registered, disparities have been witnessed. Maharashtra has 13519 startups while Madhya Pradesh has only 2119 startups registered. A significant difference is found between the number of startups registered and jobs created by them in different states in India. To remove this disparity and to overcome the challenges that startups are facing some immediate actions are required. The government should minimize the regulation, facilitate quick registration, prevent unscrupulous activities, and ensure the effective disbursement of all types of assistance. All these measures will ensure the bright future of the startups and the effective restoration of the Indian economy.

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