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A Critical Analysis of the 'Start-up India' Scheme with Special Reference to Maharashtra

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Abstract

The Start-up India Scheme, launched in 2016 by the Government of India, aims to foster entrepreneurship, innovation, and economic growth through supportive policies, funding mechanisms, and regulatory simplifications. This research paper critically analyses the scheme's effectiveness, highlighting its achievements in job creation, funding facilitation, and ecosystem development, while addressing challenges such as bureaucratic hurdles, funding disparities, and regional inequalities. With a special focus on Maharashtra, which leads in the number of recognized start-ups, the paper examines state-specific implementations, success stories, and data on economic impacts. Drawing from government reports, academic studies, and statistical data, it reveals that while the scheme has propelled India to the third-largest start-up ecosystem globally, persistent issues like underutilization of funds and skill gaps hinder inclusive growth. Recommendations include enhanced regional policies and better mentorship programs to sustain momentum.

Keywords: *Start-up India Scheme, Startup India Action Plan, DPIIT-recognized startups, Entrepreneurship, Innovation ecosystem, Fund of Funds for Startups (FFS), Startup India Seed Fund Scheme (SISFS), Tax exemptions, Intellectual Property Rights (IPR) fast-tracking, Job creation*

Introduction

The "Startup India" scheme, launched by the Indian Prime Minister Shri Narendra Modi in January 2016, aimed to foster entrepreneurship and create a supportive ecosystem for new businesses across the nation (Gera & Miglani, 2023). This initiative sought to address prevailing challenges faced by nascent enterprises, including limited access to funding, intricate regulatory frameworks, and insufficient market penetration (Sharma & Rawat, 2023). The program's comprehensive 19-point Action Plan was designed to simplify processes, provide funding support, and foster industry-academia partnerships, thereby accelerating growth and innovation within the startup landscape (Babu & Sridevi, 2019).

The initiative was designed to nurture a vibrant startup ecosystem by addressing key barriers to entrepreneurship, such as access to finance, regulatory compliance, and innovation support. At its core, the scheme promotes self-employment, innovation-driven growth, and job creation, aligning with broader national goals like 'Make in India' and 'Atmanirbhar Bharat'.

The scheme's objectives include building a robust ecosystem for innovation, providing sustainable economic growth, and generating large-scale employment opportunities. It extends benefits like tax exemptions, intellectual property rights (IPR) fast-tracking, and funding through mechanisms such as the Fund of Funds for Startups (FFS) and the Startup India Seed Fund Scheme (SISFS). As of October 2024, over 207,544 startups have been recognized by the Department for Promotion of Industry and Internal Trade (DPIIT), creating more than 16.6 lakh direct jobs. This growth has positioned India as the third-largest startup hub globally, with contributions to GDP estimated at 4-5% and projected to reach USD 1 trillion by 2030.

However, a critical analysis is essential to evaluate the scheme's real-world impact, particularly in diverse regional contexts. Maharashtra, as India's leading state in startup registrations with over 18,634 recognized startups between 2019 and 2023, serves as a focal point for this study. The state benefits from urban hubs like Mumbai and Pune, yet faces challenges in extending the scheme's reach to rural areas.

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This paper critically examines the scheme's strengths, weaknesses, and opportunities, supported by data and citations from official reports and academic sources.

Literature Review:

Existing literature on the Start-up India Scheme highlights its role in transforming India's entrepreneurial ecosystem. Karambe (2024) provides an analytical overview, emphasizing how the scheme has fostered innovation through tax incentives, simplified regulations, and funding support, while promoting inclusivity for marginalized communities. The author notes benefits like access to seed funding and mentorship but critiques challenges in accessibility for non-urban startups.

A KPMG report (2024) underscores the economic infusion by startups, contributing USD 140 billion in FY23, with projections to USD 1 trillion by 2030. It praises diversification into sectors like edtech and healthtech but points to risks such as regulatory complexities for foreign investors. Aggarwal (2017) views the scheme as an eco-system builder for sustainable growth, yet identifies issues like lack of awareness and stringent exit policies.

On regional impacts, a DPIIT analysis (2019-2023) shows Maharashtra's leadership with a 30.1% CAGR in startup growth, driven by policies like the Maharashtra State Innovative Startup Policy 2018. However, studies like those from ORF (2025) criticize bureaucratic hurdles and funding limitations that persist despite the scheme. Nayak (undated) empirically links startups to reduced unemployment but highlights infrastructural gaps in Tier-2/3 cities.

Challenges are recurrent themes: Guptey identifies corruption, technological risks, and regulatory obstacles. Choudhury (2015) stresses mentorship shortages. Overall, literature affirms the scheme's positive economic ripple effects but calls for reforms to address inclusivity and scalability.

Overview of the Start-up India Scheme:

The Start-up India Action Plan comprises 19 action points across three pillars: simplification and handholding, funding support and incentives, and industry-academia partnership and incubation. Key features include DPIIT recognition for eligible entities (incorporated less than 10 years, turnover under INR 100 crore, and focused on innovation), offering benefits like three-year tax holidays, IPR fast-tracking, and easier public procurement.

Funding mechanisms are central: The FFS, managed by SIDBI, has committed INR 20,572 crore to alternative investment funds (AIFs) as of October 2024. SISFS provides up to INR 50 lakh for early-stage prototypes. Other initiatives like BHASKAR (a digital platform for stakeholder collaboration) and MAARG (mentorship portal) enhance connectivity.

Achievements are notable: From 2016-2024, startups created 16.6 lakh jobs, with IT services leading at 2.04 lakh. The scheme has recognized startups across 56 sectors, with 45% from Tier-2/3 cities, promoting regional balance. Women-led startups constitute 49% of recognized entities, fostering inclusivity.

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Implementation in Maharashtra:

Maharashtra exemplifies successful integration of the national scheme with state-level policies. The Maharashtra State Innovative Startup Policy 2018 aims to create 500,000 jobs by 2023 through incentives like subsidies and dedicated fintech hubs. The state established the Maharashtra State Innovation Society (MSInS) to facilitate incubation and funding.

Data indicates Maharashtra's dominance: It registered 13,519 startups by June 2022, rising to 18,634 by 2023, with a 30.1% CAGR. Mumbai and Pune account for INR 377 billion in funding (2014-2018), primarily in e-commerce, fintech, and transport tech. The state excels in seed funding (100th percentile in DPIIT rankings) and has over 50 incubators.

Integration with Start-up India includes access to national funds; Maharashtra startups have benefited from SISFS and FFS, contributing to 1.2 lakh jobs. However, closures are high at 1,200 by October 2025, due to market viability issues.

Critical Analysis: Strengths and Weaknesses:

Opportunities in the Start-up India Scheme: Pathways for Inclusive Growth:

The Start-up India Scheme, while facing challenges, presents significant opportunities to expand its impact through strategic expansions and collaborations. As of early 2026, with over 2.06 lakh DPIIT-recognized startups generating 22 lakh jobs nationwide, the ecosystem is poised for deeper penetration into underserved areas and sectors. Three key opportunities—**expansion into Tier-2/3 cities**, **integration with the MSME sector**, and **public-private partnerships (PPPs) for skill development**—can drive decentralized, inclusive, and sustainable growth. These align with national goals of democratizing entrepreneurship and are particularly relevant in Maharashtra, which leads with over 34,000 startups (as extrapolated from mid-2025 figures of 29,147, maintaining ~18% national share).

1. Expansion into Tier-2/3 Cities

The shift of startup activity beyond metros represents a major opportunity to tap into untapped talent pools, lower operational costs, and localized innovation, reducing urban migration and fostering balanced regional development.

- **Current Momentum**: Over 50% of DPIIT-recognized startups now originate from Tier-2/3 cities, up from ~48% in late 2025, with 49,160 new recognitions in 2025 alone—the highest annual addition since 2016. Cities like Indore (116 high-tech startups, 19 funded), Kochi (147% funding growth to $14.7 million in first nine months of 2025), Jaipur, and Chandigarh-Mohali-Panchkula (633 startups) are emerging hubs in sectors like AI, fintech, and sustainable tech.
- **Maharashtra-Specific Potential**: While Mumbai and Pune dominate, the Maharashtra Startup, Entrepreneurship and Innovation Policy 2025 targets 50,000 startups statewide, with micro-incubators in ITIs, polytechnics, and colleges to decentralize support. Opportunities include establishing regional hubs in cities like Nagpur, Nashik, and Aurangabad, leveraging lower costs (20-30% rents vs. metros) and policies like 50% land subsidies. The policy's Innovation City (300 acres in Navi Mumbai) can serve as a model for satellite hubs.
- **Broader Impacts**: This expansion curbs brain drain, boosts local employment (e.g., Tamil Nadu's rural schemes), and aligns with projections that 58% of new consumer internet users will come from non-metros by 2026. Green startups (>300 in non-metros) highlight sustainability opportunities.
  By prioritizing infrastructure like STPI units and state policies (e.g., Rajasthan GCC Policy 2025), Start-up India can accelerate this trend, potentially adding 1 lakh+ startups from these cities by 2030.

2. Integration with MSME Sector

Linking startups with India's 6.3 crore MSMEs offers synergies in technology adoption, supply chains, and market access, transforming traditional businesses into innovative entities.

- **Synergistic Framework**: MSMEs contribute ~30% to GDP and employ 11 crore people; integrating them with startups via tech transfer can enhance competitiveness. Start-up India schemes like SISFS and FFS can fund MSME-startup collaborations, while MSME programs (e.g., ZED Certification, Credit Guarantee) provide collateral-free loans up to ₹2 crore for SC/ST/women entrepreneurs.
- **Maharashtra Focus**: The 2025 Policy launches a ₹500 crore CM Maha Fund targeting MSME-startup hybrids in deep-tech, green energy, agritech, and fintech. It addresses MSME pain points like capital access and scalability through subsidies, IPR support, and market integration. Maharashtra's MSInS facilitates this, with opportunities in clusters (e.g., Paithani sarees, engineering in Kolhapur). Central schemes like NMCP boost MSME processes via startup tech.
- **Opportunities and Outcomes**: PPPs in incubation can modernize MSMEs (e.g., AI for fraud detection in gold loans). This integration could create 5-10 lakh jobs annually, with women-owned MSMEs (16% in Madhya Pradesh model, applicable to Maharashtra) benefiting from targeted funds (>₹3,100 crore nationally).
  Enhanced procurement via GeM and cluster development will drive MSME growth, positioning Maharashtra as a hub for innovative SMEs.

3. Public-Private Partnerships for Skill Development

PPPs can bridge the skill gap affecting 90% startup failure rates, creating industry-relevant training and mentorship ecosystems.

- **National Landscape**: MSDE's PMKVY 4.0 and DGT collaborations (e.g., IBM, Microsoft, AWS) train youth in AI, robotics via CSR. Start-up India's MAARG portal connects mentors; international MoUs (12 countries) align global skills.
- **Maharashtra Initiatives**: The 2025 Policy promotes PPPs with academia, industry, NGOs, and CSR for accelerators in IITs/IIMs and skill universities. It aims to skill 1.25 lakh entrepreneurs, offering incentives like tax benefits and ITI campus access for industry training. Pacts with Finland (2025) boost youth startups, research, and training via PPPs. MITRA facilitates stakeholder collaborations for skilling roadmaps.
- **Key Benefits**: PPPs reduce turnover (12-15% in new hubs), foster deep-tech skills, and support women/SC/ST via dedicated loans. Global exchanges and AI sandboxes under the policy enhance employability.

Weaknesses of the Start-up India Scheme: A Critical Examination:

Despite significant achievements, the Start-up India Scheme faces persistent challenges that limit its inclusivity and effectiveness. Three key weaknesses—**urban-centric distribution**, **low participation from women and SC/ST communities**, and **slow fund disbursement**—highlight systemic barriers. Up dated data as of late 2025 shows progress in some areas but on going gaps, particularly in equitable access and efficient capital flow.

1. Urban-Centric Distribution

The scheme's growth remains heavily concentrated in metropolitan and Tier-1 hubs, exacerbating regional inequalities.

- Maharashtra leads with 34,444 DPIIT-recognized startups (as of October 2025), followed by Karnataka (20,330), Delhi (19,273), and Uttar Pradesh (19,207).
- Traditional hubs like Maharashtra, Karnataka, Delhi, and Gujarat dominate in numbers, funding, and job creation.
- Maharashtra alone accounts for over 3.76 lakh direct jobs.
  However, progress toward decentralization exists:
- Approximately 49% of recognized startups emerge from Tier-2 and Tier-3 cities (as of May 2025).
- Rising activity occurs in smaller towns, with startups spread across districts nationwide.

Critics argue this distribution remains insufficiently inclusive. Urban areas benefit from better infrastructure, talent pools, investor networks, and incubation facilities, while rural and semi-urban entrepreneurs face barriers like limited connectivity, mentorship shortages, and market access. State policies, such as Maharashtra's Startup, Entrepreneurship and Innovation Policy 2025 (aiming for 50,000 startups with regional hubs), attempt to address this, but national-level penetration in truly rural areas lags. This urban bias risks widening economic divides, as job creation and innovation remain skewed toward already prosperous regions.

2. Low Women and SC/ST Participation

The scheme promotes inclusivity, but participation from women and marginalized communities (SC/ST) falls short of potential, reflecting deeper societal and structural challenges.

- Women Participation: Nearly 48% of recognized startups feature at least one woman director or partner (as of October 2025), with estimates of around 90,000 women-led startups nationwide.
- In 2025 additions alone, women drive significant new ventures, often in Tier-2/3 cities.
- Maharashtra boasts nearly 45% women-led registered startups.
- Government schemes infused over ₹3,100 crore into women-led startups (2020–October 2025), including ₹2,838.9 crore via FFS into 154 entities and ₹284.79 crore via SISFS for 1,635 startups.
  Despite these gains, challenges persist:
- Women entrepreneurs face disproportionate barriers in accessing venture capital, with reliance on grants and alternative funding.
- Fully women-led (majority ownership) entities remain lower than the "at least one woman director" metric suggests.
- Historical data shows slower scaling for women-founded unicorns.
- **SC/ST Participation**: Data on SC/ST-led startups under Startup India remains sparse and underrepresented in official reports.
  - Targeted incentives exist, such as higher subsidies (up to 35% in rural areas) and dedicated loans up to ₹2 crore for first-time SC/ST entrepreneurs (announced in Budget 2025–26).
  - However, no comprehensive national figures highlight SC/ST-specific recognition or funding, indicating low visibility and participation.
  - Workshops and policies emphasize inclusivity, but empirical evidence suggests marginalized communities encounter amplified hurdles like limited networks, education access, and bias in funding decisions.

Overall, while women's representation has improved markedly (from ~45% earlier to 48–49%), SC/ST inclusion lags, underscoring the need for more aggressive affirmative measures to ensure the scheme's benefits reach underrepresented groups.

3. Slow Fund Disbursement

Funding mechanisms like the **Fund of Funds for Startups (FFS)** and **Startup India Seed Fund Scheme (SISFS)** face criticism for delays and underutilization, hampering timely support for early-stage ventures.

- **FFS Issues**: With a ₹10,000 crore corpus (expanded under FFS 2.0), commitments reached ~₹11,147 crore across 144 AIFs by March 2025, mobilizing downstream investments.
- However, only ~30–65% of allocated funds reach startups promptly, due to bureaucratic hurdles, installment-based disbursals, low management fees for AIFs, and exit constraints (weak secondary markets, volatile IPOs).
- Delays in tranche releases and compliance monitoring slow capital flow, particularly affecting high-risk innovative ideas.
- **SISFS and Others**: SISFS (₹945 crore corpus) approved funds for thousands, including women-led entities, but disbursement timelines and incubator dependencies cause bottlenecks.
- Broader "funding winter" in 2025 saw overall VC drop 17% to ~$10.5–11 billion, amplifying government fund reliance while exposing inefficiencies.

These delays contribute to high failure rates (90% of startups fail within five years historically) and deter potential entrepreneurs. Reforms like faster pipelines (e.g., first tranche within 60 days) and FFS 2.0's focus on deep-tech/climate sectors aim to mitigate this, but persistent criticism highlights the gap between policy intent and execution. In conclusion, while the Start-up India Scheme has driven remarkable growth—with over 2.06 lakh recognized startups and 22 lakh jobs by end-2025—these weaknesses undermine its goal of inclusive, nationwide innovation. Addressing them through targeted rural outreach, stronger affirmative actions for women/SC/ST, and streamlined disbursements will be crucial for sustainable impact, especially in states like Maharashtra leading the ecosystem.

Data and Statistics:

Quantitative data underscores the scheme's impact. Nationally, DPIIT-recognized startups grew from 350 in 2016 to 207,544 in 2024, with 35% YoY growth. Employment: 16.6 lakh direct jobs, with Maharashtra contributing significantly (e.g., 1.2 lakh in healthcare and IT).

Funding: VC inflows reached USD 48.9 billion in edtech alone by 2023. Maharashtra's startups raised INR 377 billion (2014-2018), with a 192% growth from 2019-2023.

State	Start-ups (2019-2023)	Jobs Created	Funding (INR Bn)
Maharashtra	18,634	1.2 lakh	377
Karnataka	14,500	0.8 lakh	300
Delhi	12,000	0.7 lakh	250
National Total	117,000	12.4 lakh	2,784

(Source: DPIIT data)

Closures: Maharashtra leads with 1,200, indicating high-risk environment. Women entrepreneurs: 49% nationally, with Maharashtra at similar levels.

Conclusion and Recommendations:

The Start-up India Scheme has revolutionized India's economy, driving innovation and employment, with Maharashtra as a frontrunner. However, challenges like funding gaps and regional and social disparities demand attention.

Recommendations: Strengthen rural outreach through targeted incentives; enhance mentorship via MAARG expansion; simplify regulations to reduce closures; and integrate sustainability metrics in evaluations. With reforms, the scheme can achieve its vision of a USD 1 trillion contribution by 2030, ensuring inclusive growth.

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Conflicts of interest

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