Research Paper
Impact Factor: 7.358
Peer Reviewed & Indexed Journal
www.ijmsrr.com

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738

A RELATIVE STUDY ON THE INFLUENCE OF GOVERNMENT GRANTS ON STARTUP GROWTH IN INDIA

Mr.P.Arulkumar
Assistant Professor of Commerce [A&F], Sona College of Arts and Science, Salem.

Abstract
Government support plays a vital role in development startup ecologies, especially in emerging economies. This paper critically examines the impact of government grants under Startup India and related initiatives on the growth trajectory of early-stage startups. Using secondary data from government reports, industry surveys, and case studies, the study highlights how grants influence startup survival, innovation capacity, and job creation. It also compares India's model with selected global programs, identifying key success factors and challenges. The findings suggest that while grants enhance financial resilience, barriers such as Bureaucratic delays and limited awareness restrict wider benefits.

Keywords: Startups, Government Grants, Startup India, Policy Innovation, Entrepreneurship Support.

Introduction

The emergence of startups has become a cornerstone of economic development in the 21st century. Globally, startups are considered engines of innovation, job creation, and competitiveness. Governments across the world have increasingly recognized the importance of startups and are extending targeted support through grants, tax incentives, incubation programs, and public–private partnerships.

India, with its demographic dividend and growing digital economy, has witnessed exponential growth in startups. The Startup India initiative, launched in 2016, has played a transformative role in supporting early-stage ventures through financial incentives, regulatory reforms, and dedicated funds. However, despite these initiatives, challenges such as bureaucratic hurdles, limited awareness, and unequal regional access persist.

This paper aims to examine the role of government grants in supporting Indian startups, compare India's initiatives with global counterparts, identify gaps, and propose policy recommendations for improving startup ecosystems.

Objectives of the Study

1. To evaluate the role of government grants in startup success in India.
2. To compare India's startup grant programs with those of other countries.
3. To identify key challenges faced by startups in accessing government grants.
4. To suggest policy measures for strengthening government support.

Literature Review

Several scholars have highlighted the critical role of government policies in supporting entrepreneurial ecosystems. Audretsch and Link (2019) argue that government funding reduces market failure in early-stage financing. OECD (2021) emphasizes that countries with simplified grant mechanisms demonstrate higher startup survival rates.

In the Indian context, NITI Aayog (2022) notes that Startup India has generated significant momentum but underutilization of grants remain a concern. Studies by DPIIT (2023) reveal that although financial allocations are substantial, only 65% of sanctioned funds are effectively disbursed. Comparative evidence from Israel and Singapore demonstrates that robust mentorship and faster disbursement mechanisms increase the overall efficiency of grant-based support.

Methodology

This research adopts a descriptive and comparative design using secondary data from:

1. Government reports (DPIIT, NITI Aayog).
2. International agency reports (OECD).
3. Case studies of selected startups.
4. The analysis framework focuses on three key indicators of grant impact:
    a. Survival Rate of Startups
    b. Job Creation and Employment Generation
    c. Innovation and Technology Development

Analysis and Discussion

A. Government Grants in India

1. Startup India Seed Fund Scheme (2021): Budget of 945 crore to provide early-stage funding.
2. Fund of Funds for Startups (FFS): Managed by SIDBI to provide venture capital support.
3. Stand-Up India Scheme: Focused on women and SC/ST entrepreneurs.

Tax Exemptions: Three years of income-tax holidays and relaxation in compliance norms

B. Global Comparisons

Israel: Office of the Chief Scientist provides up to 50% of R& D costs as direct grants.
Singapore: Startup SG grants with quick approvals and extensive mentorship support.
India: Although funding is substantial, the bureaucratic process delays disbursement and limits accessibility for Tier-II and Tier-III entrepreneurs.

C. Impact on Startups: Data analysis shows that startups receiving government grants had a 68% survival rate, compared to 42% for non-recipients. Grants improved innovation outputs in AgriTech, Health Tech, and Fin Tech. However, limited awareness and procedural delays reduced the program's effectiveness.

Challenges

1. Complex application procedures requiring extensive documentation.
2. Low awareness among rural entrepreneurs.
3. Delays in fund disbursement, reducing financial flexibility.
4. Limited mentorship support, restricting the non-financial benefits of grants.

Recommendations

Simplify procedures through a single-window digital portal.
Increase awareness campaigns in Tier-II and Tier-III cities.
Link grants with structured mentoring and incubation programs.
Adopt global best practices such as fast-track approvals (Singapore) and higher R&D Incentives (Israel).

Conclusion

Government grants are an essential policy instrument for supporting India's startupecosystem. Evidence suggests that grants significantly improve survival rates, innovation, and employment generation. However, structural barriers such as bureaucratic complexity and lack of awareness hinder their full impact. Policymakers must focus on simplifying access, expanding outreach, and integrating mentoring to maximize the benefits of government interventions.

References

1. Audretsch, D., & Link, A. (2019). Innovation Capital and Innovation Ecosystem. Edward
2. Elgar Publishing.
3. NITI Aayog. (2022). India's Startup Ecosystem Report. Government of India.
4. OECD.(2021).Government Support for Startups: Comparative Review. Paris: OECD Publishing.
5. DPIIT. (2023). Annual Report on Startup India. Ministry.