



GOVERNMENT SUPPORT FOR ENTREPRENEURSHIP IN INDIA: CREDIT ACCESS, INNOVATION ECOSYSTEMS AND INSTITUTIONAL ENABLERS OF ENTERPRISE GROWTH

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ABSTRACT

This paper examines government support for entrepreneurship in India through the interconnected pillars of credit access, innovation ecosystems and institutional enablers of enterprise growth. It argues that entrepreneurship policy in India has moved beyond isolated loan delivery toward a broader architecture that combines collateral-free finance, credit guarantees, startup funding, incubation, formalization, inclusion and public procurement support. The study uses a descriptive and analytical method based on secondary data from official policy records and institutional releases. The paper concludes that India's entrepreneurship support ecosystem is now large, multi-layered and developmentally significant, though its long-term impact depends on credit quality, awareness, commercialization and regional diffusion.

KEYWORDS

Entrepreneurship, India, Credit Access, Startups, Innovation Ecosystem, Micro, Small And Medium Enterprises, Startup India,

1. INTRODUCTION

Entrepreneurship matters for India because it connects growth with jobs, self-employment, innovation, local production and social mobility. A country with a large youth population, a wide informal economy and uneven regional employment opportunities cannot depend only on large corporate employment or public-sector recruitment. It needs millions of small entrepreneurs, micro enterprises, startups, women-led businesses, technology-driven firms and local service providers who can convert aspiration into economic activity. Government support for entrepreneurship has therefore become a major instrument of development policy. The present paper examines this support not as a list of schemes, but as a structured enterprise-growth ecosystem. Credit access enables people to begin or expand activity; innovation platforms help ideas become scalable businesses; formalization connects enterprises with public benefits and markets; and inclusion-focused instruments bring women, Scheduled Caste, Scheduled Tribe and first-generation entrepreneurs into the formal economy.

2. Objectives of the Study

1. To examine the role of government support in promoting entrepreneurship and enterprise growth in India.
2. To analyze major credit-access instruments for micro, small and first-generation entrepreneurs.
3. To assess the contribution of Startup India and related innovation-support mechanisms.

3. Research Methodology

This paper is grounded in an evidence-based and analytically structured methodology that relies entirely on secondary sources. The study draws upon official policy documents, government records, institutional publications, programme-level statistics and recent public datasets relating to entrepreneurship, startups, micro-enterprises and Micro, Small and Medium Enterprises.

4. Credit Access as the Foundation of Enterprise Growth

Pradhan Mantri Mudra Yojana has become the largest mass-credit instrument for non-corporate, non-farm micro and small entrepreneurs in India. Launched in April 2015, the scheme provides collateral-free loans up to ₹20 lakh for manufacturing, trading, services and allied agricultural activities. By 27 March 2026, more than 57 crore loan accounts had received disbursements worth ₹40.07 lakh crore, and more than 12 crore accounts belonged to new entrepreneurs. This scale is developmentally important because it reduces dependence on informal borrowing and creates a formal credit route for shopkeepers, repair services, small manufacturers, transport operators, local vendors and service providers.

Credit Guarantee Fund Trust for Micro and Small Enterprises strengthens enterprise growth by reducing collateral-related barriers. The guarantee ceiling has been increased up to ₹10 crore, and cumulative guarantees worth ₹10.50 lakh crore had been approved for 1.22 crore guarantees by July 2025. The scheme also provides guarantee cover up to 85 % for eligible loans, while annual guarantee fees have been reduced in relevant categories. This matters because many small enterprises are viable but underfinanced; they need risk-sharing mechanisms that make lenders more willing to finance expansion, machinery, working capital and business continuity.

Stand-Up India provides an inclusion-oriented credit pathway for Scheduled Caste, Scheduled Tribe and women entrepreneurs. The scheme facilitates bank loans between ₹10 lakh and ₹1 crore for greenfield enterprises and is designed to support at least one Scheduled Caste or Scheduled Tribe borrower and at least one-woman borrower per bank branch. More than 2.75 lakh loans had been facilitated for Scheduled Caste, Scheduled Tribe and women entrepreneurs by December 2025.

Mutual Credit Guarantee Scheme for Micro, Small and Medium Enterprises and related guarantee reforms indicate a broader shift toward risk-sharing finance. Budgetary and programme reforms have expanded guarantee coverage, proposed additional credit flow and supported sectors where conventional collateral-based lending can restrict enterprise growth. These instruments show that India's credit policy is gradually moving from simple loan provision toward institutional mechanisms that reduce risk, expand lender confidence and widen access for smaller firms.

5. Startup India and the Innovation Ecosystem

Startup India has created the most visible institutional platform for innovation-led entrepreneurship in India. Since its launch, recognized startups crossed 2.23 lakh by 31 March 2026, generating more than 23.36 lakh direct jobs. Importantly, more than 1.07 lakh recognized startups had at least one woman director or partner, accounting for around 48 % of recognized startups. This data shows that the startup ecosystem is not only a technology story; it is also a major employment and inclusion story.

Startup India Fund of Funds 2.0 deepens the venture-capital side of entrepreneurship support. Notified with a ₹10,000 crore corpus, it is designed to make commitments to eligible Alternative Investment Funds over the Sixteenth and Seventeenth Finance Commission cycles. It builds on the first Fund of Funds, under which the full ₹10,000 crore corpus had been committed to 145 Alternative Investment Funds, which invested over ₹25,500 crore in more than 1,370 startups. This instrument is important because startups often need patient risk capital rather than only bank loans.

Startup India Seed Fund Scheme addresses the fragile early stage between idea and market entry. Its full ₹945 crore corpus has been committed through 219 incubators, which have approved funding of over ₹605 crore to more than 3,400 startups. This fills a critical gap because proof of concept, prototype development, product trials and market entry are often the stages where promising startups fail for want of small but timely finance.

Credit Guarantee Scheme for Startups enables collateral-free startup borrowing through eligible financial institutions. Guarantee support for startups has been expanded, with the maximum guarantee cover increased from ₹10 crore to ₹20 crore per eligible borrower under revised support.

6. Institutional Enablers: Formalization, Inclusion and Enterprise Support

Udyam Registration Portal and Udyam Assist Platform have transformed enterprise formalization. As of March 2026, over 7.9

crore Micro, Small and Medium Enterprises and informal micro enterprises had been registered through these platforms. Formalization matters because it gives enterprises an administrative identity, improves access to schemes, helps lenders identify business entities and strengthens the policy database for targeted support. Without formal visibility, many enterprises remain outside credit, procurement and development programmes.

Prime Minister's Employment Generation Programme remains a major instrument for self-employment and micro-enterprise creation in the non-farm sector. It provides margin-money subsidy up to 35 %, with project-cost limits of ₹50 lakh for manufacturing and ₹20 lakh for services. Since inception up to December 2025, the programme had disbursed about ₹29,295 crore in margin-money subsidy and generated an estimated 87 lakh jobs. This makes it especially relevant for local enterprise creation beyond metropolitan startup centres.

Public procurement and enterprise development support also create institutional demand for smaller firms. Formal micro and small enterprises benefit when public procurement norms, cluster development, quality certification, technology support and capacity-building programmes help them move beyond subsistence. The value of such support lies in building market confidence, not only giving subsidies. Entrepreneurship becomes sustainable when firms can access buyers, improve processes, secure finance and meet quality standards.

Women-led and socially inclusive enterprise support has become an increasingly visible pillar of India's entrepreneurship ecosystem. Mudra, Stand-Up India and Startup India data together show that inclusion is no longer peripheral. Women borrowers, women directors and women-led greenfield enterprises are now part of the formal entrepreneurship policy landscape. The developmental value is important: entrepreneurship can become a route not only for income generation, but also for social mobility and local leadership.

7. Enterprise Growth Outcomes and Developmental Significance

Government support for entrepreneurship has produced three important developmental outcomes. First, it has expanded credit-led self-employment, especially through Mudra, Stand-Up India and micro-enterprise support. Second, it has strengthened innovation-led enterprise formation, visible in the rapid rise of recognized startups, seed-funded firms, incubator networks and risk-capital instruments. Third, it has deepened formalization, especially through Udyam and Udyam Assist, enabling enterprises to become visible to the state, banks and markets.

The wider significance lies in the role of Micro, Small and Medium Enterprises in India's economy. The sector contributes substantially to employment, manufacturing, exports and local economic activity. Over 7.9 crore registered enterprises indicate a massive base of potential entrepreneurs and small firms. When credit access, startup finance, employment-generation schemes and formal registration systems work together, entrepreneurship policy moves from welfare support to growth architecture.

8. Challenges and Policy Constraints

1. **Credit Absorption Remains Uneven.** Large-scale loan disbursal does not automatically guarantee durable enterprise growth. Many micro entrepreneurs need mentoring, market access, digital capability and business planning support along with finance.
2. **Delayed Disbursal and Procedural Complexity can Weaken Impact.** Even well-designed schemes may underperform when entrepreneurs face documentation burden, limited local guidance or slow processing.
3. **Awareness Gaps Remain Significant.** First-generation entrepreneurs, rural businesses and informal workers may not fully understand eligibility, registration processes, guarantee support or startup benefits.
4. **Micro-enterprise Fragility Continues to be a Structural Challenge.** Small firms often operate with low margins, weak bookkeeping, limited working capital and high vulnerability to demand shocks.
5. **Regional Gaps Affect Entrepreneurship Quality.** Startup ecosystems, incubators, venture capital, skilling institutions and formal lenders are not equally distributed across states and districts.

9. CONCLUSION

Government support for entrepreneurship in India has evolved into a

layered ecosystem of credit, guarantees, formalization, startup finance, incubation, inclusion and employment generation. Pradhan Mantri Mudra Yojana has expanded mass credit, Startup India has created a recognised innovation ecosystem, Udyam has strengthened formalization, and targeted instruments such as Stand-Up India and Prime Minister's Employment Generation Programme have widened inclusion and self-employment. The paper concludes that India's entrepreneurship policy is now developmentally significant because it links aspiration with institutional support. However, the next phase must focus on credit quality, business survival, market access, innovation commercialization and regional diffusion so that enterprise creation becomes not only large in number, but stronger in productivity and long-term growth.

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