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Role of Government Policies in Fostering Entrepreneurship in India

Abstract : This study looks at how government policies in India have affected the growth of entrepreneurship. Study is done on important initiatives like Pradhan Mantri Mudra Yojana (PMMY), Start up India, Make in India and others. We examine how they affect the establishment, expansion, formalization, Finance, market access, innovation, ease of regulations, and employment of business. The study employs a hybrid methodology that includes literature reviews and current empirical research. The result indicate that although, entrepreneurship has been positively and frequently transformed by government policies, there are still implementation, knowledge and access gaps as well as regional disparities. Policy recommendations to improve sustainability and impact are Included in the paper's conclusion.

Keywords : Entrepreneurship development, Government policy, Startups, Regulatory ease, Access to finance.

Introduction : It is commonly known that entrepreneurship is a key driver of innovation, economic expansion, job creation, and social mobility. Over the past few years, India's commerce sector has seen significant transformation. As a result of digitalization , liberalization, better logistics, the expansion of domestic and increased participation in international trade are now so many opportunities for entrepreneurship . The enabling environment, on the other hand, Includes taxation, infrastructure, Finance regulations, and government policy has the potential to help entrepreneurship. Many policies have been implemented by the Indian government in recent years with a specific focus on entrepreneurs and the commerce MSE sectors. Understanding how these policies affect entrepreneurship in the commerce domain is important for both academic knowledge and for policy improvement.

Objectives

1. To study major government policies in India related to entrepreneurship.
2. To study strengths and weaknesses of these policies in real practice.
3. To make recommendations for policy improvement.

Literature Review : Tiwari (2021), examined the Startup India initiative and its impact on entrepreneurial activity. Used policy review and secondary data analysis, the study found that Startup India improved visibility of startups and reduced compliance barriers, but the benefits were uneven across regions and sectors. They concluded that although the program generated momentum, it did not resolve structural issues such as market access and long-term sustainability. They suggested strengthening state-level implementation and broadening support to include non-financial assistance for diverse ventures.

Kumar and Sinha (2019), analysed the implications of GST for small and medium enterprises. Based on a survey of 150 SMEs and review of GST policy documents, the findings revealed that GST reduced cascading taxes and improved market integration, but small firms faced higher compliance costs and digital filing challenges. They concluded that GST has long-term potential but initially burdened micro and informal entrepreneurs. They suggested simplifying filing systems and providing training to SMEs to ease compliance.

Rao (2020), assessed the role of Stand-Up India in empowering women and marginalized communities. Using case studies and policy analysis, the findings showed that the scheme improved credit flow to target groups but faced problems such as low awareness, procedural hurdles, and limited training support. They concluded that financial assistance alone cannot drive inclusive entrepreneurship. They suggested awareness campaigns, simplified loan procedures, and stronger mentoring for disadvantaged entrepreneurs.

Nisha Chahal & Abhishek(2023) assessed the involvement and efficacy of business incubation centres in aiding startup growth in the Delhi-NCR region. primary data from 100 startup founders across 9 incubation centers in Delhi, Gurugram, Noida have been collected. They used frequency distributions, t-tests, ANOVA. They found that Incubation centers are perceived to increase startup survival and growth, infrastructure, resources, co-working space reduce startup costs, mentoring, technical, legal support and networking are highly valued. Concluded that Incubation centers make meaningful contributions to startup ecosystems and are especially useful in high density, urban startup regions. Suggested that government should support more incubation centers, especially in under-served regions, ensure access to high quality mentoring and infrastructure, possibly subsidize startup costs for incubators.

Sarika Sharma & D.P. Goyal(2023) explored the issues and challenges that startups in India face under the Startup India initiative. They used methodologies as qualitative, using semi-structured interviews with **148 startup founders** across India, open-ended questions. They found that Startups report barriers including regulatory delays, lack of awareness of policies, difficulties in accessing finance, infrastructure limitations, and ecosystem unevenness (especially urban vs rural). They Concluded that while Startup India has promise and has generated enthusiasm, significant hurdles remain that constrain many startups' ability to scale or sustain. Suggested to Improve awareness and outreach of startup policy, simplify regulatory and compliance requirements, strengthen infrastructure, particularly in non-metro areas, and provide tailored support mechanisms for early stage firms.

N. S. Satsangi, S. Raghuwanshi, A. Hasan, R. Sushma, U. Tare, D. Khan & A. Singhal(2025) assessed the impact of three major entrepreneurship development programmes (EDPs) — MUDRA, Stand-Up India, Startup India — on MSME growth metrics. They collected secondary data from government sources and used descriptive statistics and regression analysis to measure effects of amount sanctioned. They Concluded that Government EDPs are effective

in promoting MSME growth but their relative successes vary depending on scheme design, implementation, outreach. They Suggested that Policymakers should focus on scheme design fine-tuning, ensuring efficient implementation, combining financial schemes with capacity-building and monitoring, and expanding data collection to improve evaluation.

Methodology :

Secondary data: government reports, Published research paper

method: literature review and secondary data analysis

Data Analysis: Descriptive statistics

Findings :

➤ **Positive Impacts**

Increased startup registration & formalization

Since Startup India, many more firms have registered formally as startups. The recognition helps firms access tax exemptions, faster compliance, etc.

Formalization of many previously informal commerce businesses (for example, under Udyam for MSMEs) has improved documentation, access to credit, and legal protections.

Improved access to finance

Schemes like Mudra loans, credit guarantee schemes, fund-of-funds under Startup India have reduced the capital constraint for many small/trading businesses.

For women / SC/ST entrepreneurs via Stand Up India, targeted credit has allowed many to start small trade / retail ventures.

Regulatory reforms / Ease of doing business

GST helped unify indirect taxes, reduce cascading tax problems, improved compliance (though with teething issues). Simplification of registration, e-governance measures, faster licensing / approvals under several

Market access and digital infrastructure

Digital India, UPI, expansion of e-commerce platforms have allowed commerce startups to reach broader customer base, reduce transaction friction.

Employment and regional development

MSMEs and commerce ventures have been important employers, especially in semi-urban and rural areas.

Some policies have attempted to reduce regional disparities via state policies, but uneven outcomes remain.

➤ **Negative Impacts**

Awareness and accessibility gaps

Many entrepreneurs (especially in rural, marginalised, or small commerce businesses) are unaware of schemes, or unable to satisfy conditions to benefit.

Application processes may be bureaucratic delays in approvals.

Implementation issues and uneven state performance

some states have better supporting infrastructure, more proactive local governments others lag behind.

Regulatory burden remains for many firms (compliance, filing, taxation complexity) especially for small/trading startups with low resources.

Sustainability and survival

Many enterprises start up but fail to survive beyond early years due to competition, lack of market linkages, insufficient managerial skills, or inability to adapt to technology.

Dependence on subsidies may not always encourage long-term viability.

Recommendations :

Increase awareness & simplify access

Create more outreach in rural / semi-urban areas. Use local chambers, panchayats, trade associations to disseminate easy-to-understand information.

Simplify application procedures; reduce documentation; streamline timelines; use single-window online portals.

Tailor policies for small / informal commerce ventures

Many commerce businesses are informal, provide transitional policies to help them formalize without heavy cost.

Strengthen regional infrastructure

Expand reliable internet access, cold storage / warehouses, transport infrastructure, logistics hubs.

Incentivize state governments to reduce regional disparities via differential incentives or support.

Capacity building and mentoring

Support training in business skills: management, marketing, digital literacy.

Sustainability & scaling up

Encourage commerce ventures to adopt technology / innovation to scale.

Provide incentives for exports, cross-state commerce, participation in global value chains.

Conclusion : Government policies in India have had a significant positive effect on entrepreneurship in commerce: increasing formalization, easing access to finance, regulatory reforms, and digital infrastructure have all contributed. But the journey is incomplete. To fully harness entrepreneurship's potential for economic growth, employment, and inclusive development, the government needs to focus on better implementation, inclusion, regionally balanced growth, and ensuring that small/informal ventures too benefit. Future research should include long-term survival studies, finely disaggregated data (by region, gender, social group), and comparative studies across states.

Limitations and Directions for Future Research : Policy impact attribution is hard because multiple simultaneous policies may overlap, making isolating effects difficult.

Future research might include field experiments, randomized assignment of benefits, more in-depth case studies.

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