A Study on Indian Startup Ecosystem, Understanding Public Perception and Government Schemes

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Abstract- India, the world's second-largest startup ecosystem, has consumed over US$ 70 billion in the last half-decade (Inc42, 2020). In 2025, overall funding for start-ups is estimated to exceed $150 billion, with a total value exceeding $500 billion (Inc42, 2020). The ecosystem began with a few dozen companies and has expanded to thousands, cementing India's status as a prominent player in the global startup ecosystem. Over the past ten years, the Indian startup ecosystem has experienced phenomenal growth. In 2020, 55,000 companies are anticipated to be supported by the ecosystem, up from just 29,000 in 2014 (Inc42, 2020). Venture capital increased eight times between 2014 and 2019 (Inc42, 2020), demonstrating the ecosystem's sustained and ongoing investment. Even during Covid19, when startup deals approached the historic peak of 2017, investor fervour persisted (Inc42, 2020). It has significance because it affects how entrepreneurs think, the environment for investing, and societal support for companies. Public opinion of startups in India is influenced by cultural attitudes towards entrepreneurship, media influence, the perception of risk and failure, and the emphasis on social impact and sustainability. This study illuminates the opportunities and difficulties within the Indian startup ecosystem by evaluating the interaction between government policy and public perception. Policymakers, business owners, and other stakeholders will benefit from the research's insightful advice on how to improve regulations, close perception gaps, and promote India's startup ecosystem. This abstract focuses on how public perception and governmental policy interact to shape this ecosystem. Government programs and policies have been crucial in stimulating innovation, providing support systems, and creating an environment that is conducive to entrepreneurs flourishing. The growth of startups in India has been greatly aided by the Startup India initiative, tax reforms and incentives, business-friendly policies, and the protection of intellectual property rights.

Indexed Terms- Startups, Public Perception, Entrepreneurship, Government

I. INTRODUCTION

Startups refer to newly established businesses or ventures that are typically characterized by their innovative and scalable business models. These companies often operate in sectors such as technology, e-commerce, healthcare, fintech, and more, and they aim to disrupt traditional industries or create entirely new markets. India, the world's second-largest startup ecosystem, has consumed over US$ 70 billion in the last half-decade (Inc42, 2020). In 2025, overall funding for start-ups is estimated to exceed $150 billion, with a total value exceeding $500 billion (Inc42, 2020). The ecosystem began with a few dozen companies and has expanded to thousands, cementing India's status as a prominent player in the global startup ecosystem. Along with the United States, the United Kingdom, China, and Israel, India is regarded as having one of the world's largest startup ecosystems and has emerged as one of the top locations for venture capitalist investment.

Over the past ten years, the Indian startup ecosystem has experienced phenomenal growth. In 2020, 55,000 companies are anticipated to be supported by the ecosystem, up from just 29,000 in 2014 (Inc42, 2020). Venture capital increased eight times between 2014 and 2019 (Inc42, 2020), demonstrating the ecosystem's sustained and ongoing investment. Even during Covid19, when startup deals approached the historic peak of 2017, investor fervour persisted (Inc42, 2020).

Along with receiving support from incubators and accelerators, the government's flagship program, "Startup India," also provides support to Indian startups. Venture capitalists also provide financial support to entrepreneurs. Startups go through many stages as they seek financial support.

The seed stage is the first stage of investment where startups receive a modest amount of funds for the development of their product idea. Series A and B stages are growth stages whereas the later stage is where the startup has made its product commercially available and needs investment to acquire more customers. The Indian startup ecosystem is dominated by big late-stage startups that consume a major chunk of investment.

It has significance because it affects how entrepreneurs think, the environment for investing, and societal support for companies. Public opinion of startups in India is influenced by cultural attitudes towards entrepreneurship, media influence, the perception of risk and failure, and the emphasis on social impact and sustainability. This study illuminates the opportunities and difficulties within the Indian startup ecosystem by evaluating the interaction between government policy and public perception.

- Objectives of the study on the Indian startup ecosystem

1. To study and analyse public perception toward the startup ecosystem in India.
2. To study the startups, funding rounds, various sectors, and investment sources.
3. To study the various government initiatives and schemes to promote the startup ecosystem in India

- Scope of the study

The scope of the study on the Indian startup ecosystem with special emphasis on government policies and public perception is to comprehensively examine the relationship between government initiatives, public perception, and the overall growth and development of startups in India.

Government Policies: This includes policies related to ease of doing business, taxation, regulatory reforms, access to funding and mentorship, intellectual property rights protection, and infrastructure development. The study aims to understand the impact of these policies on the startup ecosystem and the extent to which they have facilitated the growth and success of startups.

Startup Ecosystem: The study examines the broader startup ecosystem in India, encompassing various sectors such as technology, e-commerce, fintech, health tech, and agritech. It explores the characteristics, trends, and challenges within the ecosystem, including the availability of talent, access to funding and resources, market opportunities, and technological advancements.

Public Perception: The study delves into the perceptions, attitudes, and opinions of the public towards startups in India. It investigates how cultural factors, media influence, and societal attitudes impact the perception of startups and entrepreneurship.

- Limitation:

The dynamics of startup ecosystems can vary across countries and regions due to cultural, economic, and regulatory differences. The study heavily relies on the availability and reliability of data sources. While efforts will be made to access credible and up-to-date data, there may be limitations in data quality, completeness, or accuracy.

Public perception is inherently subjective and can be influenced by various factors, including personal beliefs, experiences, and exposure to media. It is challenging to capture the diverse range of public opinions and perceptions comprehensively.

Government policies and initiatives are subject to change over time. The study's findings may reflect the policies and perceptions at a specific point in time and may not capture subsequent developments or policy shifts. A large sample gives more reliable results than a small sample. However, it is not feasible to target the entire population or even a substantial portion to achieve a reliable result.

- Theoretical framework:

The Indian government has developed several initiatives, pro programs projects to encourage and support startups in the nation. The major ones are-

1. Startup India: Startup India is a flagship initiative launched by the Government of India in 2016. It

aims to foster entrepreneurship and promote the growth of startups. The initiative provides various benefits to startups, including tax exemptions, simplified regulatory procedures, access to funding, and incubation support through a network of incubators and accelerators.

2. Atal Innovation Mission (AIM): The Atal Innovation Mission, launched by NITI Aayog, is focused on promoting innovation and entrepreneurship among students, researchers, and startups. AIM operates through various programs such as Atal Tinkering Labs (ATLs) in schools, Atal Incubation Centers (AICs), Atal Community Innovation Centers (ACICs), and Atal New India Challenges (ANIC) to provide support and resources to startups.

- Other relevant schemes and programs are Make in India, Pradhan Mantri Mudra Yojana (PMMY), Electronic Development Fund (EDF), National Small Industries Corporation (NSIC) Schemes

Startups can be found across a wide range of sectors, each catering to different industries and addressing specific market needs. Some of the prominent sectors in which startups are thriving:

1. Technology and Software
2. E-commerce
3. Fintech:
4. EdTech
5. SaaS
6. Media and entertainment
7. HealthTech
8. Food and delivery

Startups typically go through different funding rounds as they progress in their growth journey:

1. Pre-Seed Funding: This is the earliest stage of funding, where entrepreneurs use their savings, friends, and family investments, or small grants to validate their business idea, conduct initial market research, and develop a proof of concept. Pre-seed funding helps startups get off the ground and build a minimal viable product (MVP) to attract further investment.
2. Seed Funding: Seed funding is the first formal round of investment in a startup. It typically comes from angel investors, venture capital firms, or early-stage startup funds. Seed funding is used to refine the business model, expand the team, develop the product further, and build traction. Startups often seek seed funding to scale their operations and validate their market potential.
3. Series A Funding: It involves raising capital from venture capital firms or institutional investors. Series A funding is used to fuel the growth and expansion of startups by investing in product development, marketing, and building a customer base. At this stage, startups are expected to demonstrate market traction and a viable business model.
4. Series B Funding: Series B funding is typically raised by startups that have achieved a significant level of growth, market validation, and revenue generation. This round of funding is aimed at scaling operations, expanding into new markets, and further developing the product or service. Investors in Series B funding rounds are often venture capital firms or private equity firms.
5. Series C Funding and Beyond: Series C funding and subsequent funding rounds are typically pursued by startups that have already achieved substantial growth, demonstrated strong market traction, and are aiming to achieve further expansion or prepare for an initial public offering (IPO). These funding rounds involve larger investments from institutional investors or private equity firms and are used to fuel rapid scaling, strategic acquisitions, international expansion, or product diversification.

Startups can finance their expansion and development with a variety of investors and financing methods:

- Angel Investors-high-net-worth individuals who provide early-stage funding.
- Venture Capital (VC) Firms-firms that provide funding to startups in exchange for equity.
- Accelerators and Incubators-programs that support startups by providing mentorship, resources, and sometimes funding.
- Crowdfunding-platforms allow startups to raise funds from a large number of individuals who contribute smaller amounts.
- Government Grants and Programs-offer grants, subsidies, and funding programs specifically designed to support startups.

- Bank Loans and Debt Financing-explore traditional debt financing options such as bank loans or lines of credit.
- Strategic Partnerships and Corporate Investments-strategic partnerships with established companies that can provide financial investment, access to resources, market reach, or distribution channels.
- Family and Friends
- Initial Public Offering (IPO)- This involves listing the company's shares on a stock exchange and allowing the public to invest in the company.

II. LITERATURE REVIEW

The Indian government has introduced several initiatives and policies to foster the growth of startups and promote an entrepreneurial culture. The "Startup India" campaign, launched in 2016, aims to provide a supportive ecosystem through measures such as tax benefits, easier business registration, and intellectual property rights protection (Gupta et al., 2019). The establishment of incubation centers, research parks, and innovation labs has further facilitated collaboration, knowledge sharing, and access to resources for startups (Agarwal & Shah, 2020).

The government's emphasis on digitalization, financial inclusion, and skilling initiatives aligns with the needs of startups and has a positive impact on their growth prospects. Initiatives like Digital India, Aadhaar (unique identification), and the Jan Dhan Yojana (financial inclusion program) have created an enabling environment for startups to leverage technology and reach a wider audience (Kumar et al., 2019).

The growth of the Indian startup ecosystem can be attributed to various factors. One crucial factor is the increasing availability and accessibility of technology. The proliferation of smartphones, widespread internet penetration, and the advent of affordable data plans have created a conducive environment for startups to innovate and reach a large user base (Singh & Gupta, 2020).

Furthermore, India's demographic advantage, with a large youth population, has contributed significantly to the growth of startups. Young entrepreneurs, armed with technological expertise, creativity, and a drive to solve pressing problems, have played a pivotal role in shaping the startup ecosystem (Hemantkumar & Bansal, 2021).

Access to funding is critical for startup success, and the Indian startup ecosystem has witnessed significant growth in this regard. Several studies have highlighted the increasing availability of venture capital funding and angel investments in India (Pattnaik & Nayak, 2020).

Additionally, the establishment of various funding platforms, crowdfunding models, and angel networks has provided startups with multiple avenues to raise capital and fuel their growth (Bawa & Thirumaran, 2019).

Moreover, mentorship and networking opportunities have proven to be essential for startup founders. Incubators, accelerators, and co-working spaces have emerged as vital platforms for startups to gain guidance, mentorship, and access to networks of experienced entrepreneurs and industry experts (Dutta et al., 2020). These support systems not only help startups refine their business models but also enable them to connect with potential investors and strategic partners.

While the Indian startup ecosystem offers immense opportunities, entrepreneurs face several challenges. Regulatory complexities and compliance issues often pose hurdles for startups, especially in sectors such as fintech and health tech (Chen et al., 2021). Streamlining and simplifying regulatory processes can alleviate these challenges and create a more favorable environment for startups to thrive.

Another critical challenge is talent acquisition and retention. Startups often struggle to attract skilled professionals due to competition from established corporations and limited resources. The shortage of domain-specific talent, particularly in emerging technologies such as artificial intelligence and blockchain, presents a significant obstacle for startups (Subramaniam, 2020).

The most comprehensive paper describing investment trends in the Indian startup ecosystem is by David et al (2020). The paper analyzed trends in investment in the

Indian startup ecosystem from 2015 – 2019, exhibiting stage-wise, sector-wise, and geographic distribution of investment. Describing different schemes under which startups can avail benefits in India, they estimated a regression model to understand factors influencing startup investment in India. They found startups are clustered in large cities and that small startups are located beyond the metros.

III. RESEARCH METHODOLOGY

Research Design

The qualitative study on Public Perception is based on primary data collected by conducting a survey using a structured questionnaire. Questionnaires have been made with 'Google Forms', most of the respondents had been reached through Social Networking Platforms. Research on government initiatives and schemes was done using secondary data, sources from Government websites, journals, reliable websites, and reports.

1. Qualitative Phase:

The qualitative phase involves conducting a focused survey with questions to assess the perception of the public towards startups and what motivates them to start their venture, also some reasons have been recorded which throw light on the barrier.

2. Quantitative Phase:

The quantitative phase involves the administration of statistical data that has been analyzed to measure the overall growth rate, the contribution of startups to the GDP, and the effect of schemes in boosting the bloom in the Startup ecosystem.

Nature of the study	Mixed approach study
Type of data	Primary data and secondary data
Method of data collection	Questionnaires
Nature of population	All age groups have diverse responses from populations across India, mostly from students and self-employed individuals.
Sample size	127
Sampling method	Random

FINDINGS

- 52.4% of respondents felt that owning a startup gives them financial independence, 22.8 % of respondents felt that they contribute to society with their new idea of product or service, 9.5% people felt that passion and flexibility of work is their motivation, while a smaller chunk of 4.8% people wants to do it for money. This is an amazing response as it demonstrates everything is not about money and people can have a better and broader view of it.
- It is important to understand why people have never thought of owning a startup or are doubtful. 50% of people feel that lack of financial resources and funding to start a business is the biggest hurdle, 11.5% felt the need to have a mentor and a business guide to take their idea further, while 19.2% people think that there is a big risk associated with doing so and they did not have any differentiating idea.
- The most frequent excuse for not owning a startup was a lack of financial resources. In this situation, it's crucial to see which financing options people are aware of and what they would choose. 15% chose venture capitalists and savings, clearly suggesting a lower understanding of obtaining investments through strategies specifically developed for startups. 40% of individuals favour banks, even though it is the most challenging way to get money for businesses.
- 10% of respondents selected incubators, partnering with a partner, and raising through family and friends. 50% of respondents believe that Tier 2 and Tier 3 cities are now the center for startups, compared to 30,4% who believe that metro area still provide more chances. More than 50% of respondents are aware of the policies and programs of the government, but only a very small fraction, fewer than 20% of respondents are aware of StartUp India.
- Regarding government initiatives, 45.7% of individuals have no opinion, 37% are satisfied, just 10.9% are extremely satisfied, and 6.5% are dissatisfied. Here, we can only presume that most responses are neutral for one of two reasons: either they are completely clueless and believe that what is already in place is OK, or they are aware that

what is already in place is sufficient and have no complaints about it.

- According to data from the Commerce Ministry as of June 30, 2022, the number of recognized start-ups in the country increased from 471 in 2016 to 72,993 in 2022, a phenomenal increase of more than 15,400%
- Sustained Government efforts in this direction have resulted in increasing the number of recognized Startups from 452 in 2016 to 84,012 in 2022 (as of 30th November 2022), Minister of State for Commerce and Industry
- As on 30th November 2022, in the FFS, of the corpus of Rs. 10,000 crores, Rs. 7,527.95 crores have been approved (committed) to the AIFs.

RECOMMENDATIONS

1. Enhance Access to Early-Stage Funding
2. Simplify Regulatory Processes
3. Strengthen Incubation and Support Infrastructure
4. Foster Industry-Academia Collaboration
5. Raise Awareness and Improve Public Perception
6. Evaluate and Update Government Schemes
7. Support Rural Entrepreneurship

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