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Impact of Government Policies on the Growth of Start-ups in Delhi NCR

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ABSTRACT

In India, the union and state governments have rolled out numerous initiatives encouraging entrepreneurship nationwide, including notable programs like Start-up India, Stand-up India, Ease of Doing Business, etc. These efforts have positively influenced the perception of start-ups among markets, aspiring entrepreneurs, and investors. Furthermore, multiple policies among the government, industry, etc., aimed to develop a thriving start-up culture. However, the start-up ecosystem in Delhi and the NCR is complicated due to the involvement of start-up policies from Delhi, Uttar Pradesh, and Haryana. Despite being the national capital and hosting several educational institutions and ample infrastructure, Delhi NCR needs to catch up to Bangalore in the start-up domain. This study examines how government policies affect the start-up ecosystem in the Delhi NCR area, aiming to offer insights into the factors influencing the start-up landscape in this region.

Keywords: Entrepreneurship, Start-up, Entrepreneur, Government Policies,

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INTRODUCTION

Entrepreneurs are critical drivers of economic and social progress. Rapidly growing entrepreneurial ventures are often viewed as relevant sources of innovation, productivity, growth and employment. To catalyse start-up culture and strengthen the inclusive ecosystem for innovation and entrepreneurship, the Government of India launched the Start-up India initiative in January 2016. Driven by areas such as "Simplification and handholding", "Funding support and incentives", and "Industry-academia partnership & incubation" (DIPP, 2018), the Start-up India initiative lays down the roadmap for the creation of a conducive ecosystem for the growth of start-ups in India. Start-up India has rolled out several initiatives to build a robust start-up ecosystem and transform India into a country of job creators instead of job seekers. Under the Start-up India initiative, eligible companies can get recognised as start-ups by DPIIT to access a host of tax benefits, easier compliance, IPR fast-tracking and other benefits. (Godha, et.al., 2020)

Government & regulatory framework, human capital and funding & finance are the areas of pivotal importance in the entrepreneurial ecosystem. Government Policies and Regulations: Access to necessary infrastructure, e.g. transport, water, and electricity, plays a crucial role in ecosystem development. India ranked 77th in the "ease of doing business" ranking in 2019, against the 100th in 2018. Institutional support such as Incubators and Accelerators: Incubators and accelerators are essential partners in the overall start-up ecosystem, which accelerates business prospects. They offer office spaces, shared resources, research labs, entrepreneur networks, investor networking opportunities, start-up boot camps, summits, alumni support, technology support, and client-specific business solutions. The emergence of successful start-ups in India within the last one to two years has notably bolstered the economy across retail, hospitality, healthcare, and transportation sectors. Notable examples include Flipkart, Ola Cabs, Paytm, Zomato, and Nykaa (Jitender & Pravesh. 2017).

The link between geographic location and innovation can be more complex. Being near a cluster of businesses might improve communication, but it doesn't necessarily mean more

innovation for start-ups. What counts is being part of a robust social network, which significantly impacts business success. (Allen et al., 2016). Government policies have a significant influence on the environment for entrepreneurs. Tax breaks, funding, regulations, infrastructure, and support programs shape the landscape for starting businesses. By studying these policies, we can understand how governments help or hinder entrepreneurial ecosystems. (Ajayi-Nifise et al., 2024). When comparing regions like Delhi NCR, which is celebrated for its vibrant entrepreneurial culture and the abundant talent emerging from its numerous educational institutions, with other areas, we can discern the unique challenges and opportunities each place faces in supporting entrepreneurship. In this research, we are studying whether government policies and tax concessions impact the progress of start-ups in Delhi NCR.

LITERATURE REVIEW

There is a greater recognition that social enterprises could have a role in solving social issues. We need to create an environment where entrepreneurs feel confident that they will not face any obstacles if they develop business models to benefit people experiencing poverty. (Jayanthi,2019). A start-up can be defined as a project-based organisation or company in various business fields that commercialises a new business model by combining innovative ideas or advanced technologies to deal with uncertain environments. According to the Support for SMEs Act in Korea, start-ups are defined as individual businesses or corporations that have been in operation for less than seven years since commencement. Therefore, start-ups based on government support can be defined as those that received government support in the early stages since foundation or during the preparation for establishment. (Lee & Kim, 2019).

Due to the global trend of low growth, an increasing social consensus supports the growth of large corporations, and more than SMEs alone is needed to secure new growth engines for economic development. Accordingly, significant countries such as the USA, Japan, and China actively implement entrepreneurship and start-up development policies according to their situations. In the USA, the Obama administration implemented the Start-up America Initiative,

which supported innovative entrepreneurs in the private sector and actively pursued innovative start-ups and venture investments by enacting the 2012 JOBS Act (Jumpstart Our Business Start-ups Act) to facilitate start-up financing. The Trump administration is also issuing administrative orders for deregulation and is constantly carrying out support policies by establishing the Office of American Innovation within the White House Office. Moreover, various entrepreneurial ecosystems (state governments, universities, large corporations, investors, incubators, etc.) are activated in large cities such as Silicon Valley, San Francisco; Silicon Alley, New York; and Silicon Beach, which significantly contribute to economic revitalisation and urban development (Cockayne, 2019)

Japan also plans to establish a venture ecosystem as a national growth strategy. According to the Japanese government's 2017 Growth Strategy, their goal is to create an environment for the cycle of innovation within society by building partnerships among research institutes such as universities, large corporations, governments, and private ventures, thereby doubling the ratio of venture capital investments of GDP by 2022. China began to focus on entrepreneurship-related policies upon entering the 2000s and enacted a law on the promotion of SMEs in 2002, through which they established support policies for the development of SMEs. In addition, major countries are also implementing various entrepreneurship and start-up support policies at the government level to build an innovation-driven economy and secure new growth engines for motivating the start-up ecosystem (Lukason & Kasper, 2017).

The benefits accessible to start-ups under the government's flagship initiative, "Start-up India," are comprehensively outlined by (Mittal & Garg, 2018). These include tax breaks on profits and long-term capital gains, self-certification mechanisms, legal assistance for patent applications, and access to advanced incubator facilities, all as fundamental support pillars. In conjunction with Start-up India, the Indian government has launched various programs to nurture entrepreneurship nationwide. Initiatives led by NITI Aayog (Atal Innovation Mission) and the Biotechnology Industry Research Assistance Council, alongside broader campaigns like Make in

India and Stand up India, underscore the multifaceted strategy to bolster entrepreneurial endeavors. The success of Start-up India hinges on overcoming significant obstacles such as stringent licensing requirements, inadequate banking support, and the need for tax incentives for emerging businesses (Shah & Jokhi, 2023).

Through programs like Made in India, Digital India, Skill India, and MUDRA, the government aims to address systemic deficiencies and cultivate an environment conducive to entrepreneurial growth. Meticulously evaluates the performance of these initiatives, delving into key issues and proposing potential solutions based on the experiences of Indian start-ups (Bairwa & Chand, 2019).

The Indian start-up ecosystem has been rapidly evolving, attracting attention globally. It delves into this dynamic landscape, aiming to identify emerging trends and understand the role of ecosystem enablers in nurturing start-ups. The study also evaluates the effectiveness of the Start-up India initiative while proposing strategies for start-ups to scale up, reflecting the growing interest in fostering a conducive environment for entrepreneurial ventures in India (Godha et al., 2020). On a more localised scale, the focus is placed on the complex start-up ecosystem of Delhi NCR, where governance is fragmented across multiple state and central authorities. Despite over 30 universities, prestigious educational institutes, and numerous incubators, the number of registered start-ups needs to catch up to other regions like Maharashtra and Bangalore. This prompts an investigation into the impact of government policies on the start-up landscape within the region (Kumar & Aquil, 2024).

Delving deeper into government initiatives such as the Start-up India program and various support schemes designed to bolster entrepreneurial ecosystems across India, their research sheds light on the benefits these policies offer, ranging from tax exemptions to simplified business procedures (Patel & Pandya, 2023). They also analyse the specific implications of these policies on start-ups within the Delhi NCR region. The Indian start-up scene has witnessed exponential growth in recent years, buoyed by technological advancements, evolving

consumer behavior, and supportive government policies (Kumar & Aquil, 2024). However, despite its rich educational and infrastructural resources, the growth trajectory of start-ups within Delhi NCR presents a contrasting picture.

Government policies play a pivotal role in shaping the start-up landscape at the national and regional levels. The Start-up India initiative, launched in 2016, aimed to provide a conducive environment for start-ups to flourish by offering incentives and support schemes (Nambiar & Balasubramanian, 2021). However, the effectiveness of these policies in Delhi NCR remains a subject of scrutiny, given the disparity between the region's potential and actual start-up registrations. Delhi NCR's start-up ecosystem offers a fertile ground for entrepreneurial ventures with its diverse blend of educational institutions, incubators, and government support programs. However, bureaucratic hurdles and regulatory complexities hinder the growth of start-ups, underscoring the need for streamlined governance and policy interventions (Badra & Sharma, 2016).

To address these challenges, policymakers must prioritise initiatives to simplify regulatory processes, foster collaboration between government agencies, and enhance access to funding and mentorship opportunities. A cohesive policy framework tailored to the unique needs of Delhi NCR's start-up ecosystem could unlock its full potential and propel it towards sustainable growth. The Indian start-up landscape presents a tale of two realities – one of immense promise and potential and the other of regulatory hurdles and bureaucratic inefficiencies. While initiatives like Start-up India and various government policies have positively impacted regional ecosystems like Delhi NCR, further evaluation and targeted interventions are needed to address existing challenges and maximise opportunities for growth.

OBJECTIVE OF THE STUDY

- Examine the impact of government policies on the start-up ecosystem in the Delhi NCR region.
- Assess how tax policy concessions influence entrepreneurs to launch new start-ups in

Delhi NCR.

- Evaluate whether the government's aggressive infrastructure improvements in Delhi NCR have motivated the start-up ecosystem.
- Scrutinise the effectiveness of government policies in Delhi NCR in fostering new start-ups.
- Investigate the effect of the regulatory framework on the start-up ecosystem in Delhi NCR.

RESEARCH METHODOLOGY

This study's primary source is secondary data, providing a broad foundation for analysis. This research is a conceptual survey with both exploratory and descriptive elements, aiming to uncover new insights and describe existing phenomena. The information relevant to the study has been meticulously collected from various credible sources. These include academic websites, peer-reviewed journals, industry magazines, reputable newspapers, and authoritative books. By utilising a wide range of sources, the study ensures a comprehensive understanding of the topic and a robust basis for its findings.

GOVERNMENT POLICIES

In the ever-changing world of entrepreneurship, the impact of government policies stands out as a crucial factor in moulding the path of economic progress. This comparative examination of government policies in Delhi and the NCR region has highlighted challenges and opportunities, emphasising the need for strategic actions to nurture lively entrepreneurial ecosystems. Government policies form the foundation upon which entrepreneurial environments either thrive or struggle. Policymakers possess the means to establish a setting where entrepreneurs can flourish, innovate, and make substantial contributions to economic advancement (Lee & Kim, 2019). By cultivating a favourable environment, governments can spur investment, draw in talent, and lay the groundwork for job creation – essential components for sustainable and inclusive development.

Table 1: Policies/Programs of the Government of India to Promote Entrepreneurship

Sl. No.	Government Policies/Programs	Brief description
1.	Start-up India	Launched to support entrepreneurs, building a robust start-up ecosystem.
2.	Stand-up India	Started in 2016 to support women, SC/ST entrepreneurs
3.	Make in India	To create and encourage companies to develop, manufacture and assemble products in India.
4.	Start-up India Seed Fund Scheme Launch (SISFs)	Launched April 2021, with an outlay of INR 945 Crore to provide financial assistance to start-ups for Proof of Concept, prototype development, product trials, market-entry, and commercialization.
5.	Income Tax benefits U/s 80 IAC	Under this section, income tax is exempt for three consecutive financial years out of the first ten years after incorporation.
6.	Income Tax benefits U/s 56(2)(VIIB)	In this section, start-ups are exempt from paying capital gain tax while transferring their share over and above the fare price.
7.	Government tenders	Participation in government tenders without prior experience, Turnover and without EMD
8.	Self-certification of laws	Self-certification of 6 labor laws and 3 environmental laws
9.	Easy winding up of the company	As per the Insolvency and Bankruptcy Code, 2016, start-ups can be wound up within 90 days of applying for insolvency.
10.	National Single Window System	The National Single Window System (NSWS) is a digital portal for Exploring, Applying, Tracking, and Obtaining all your business approvals.
11.	Atal Innovation Mission (AIM)	AIM has taken a holistic approach to ensuring the creation of a problem-solving, innovative mindset in schools and an

		ecosystem of entrepreneurship in universities, research institutions, the private sector, and the MSME sector.
12.	Pradhan Mantri Mudra Yojana	MUDRA loan provides banks and financial institutions up to INR 10 (Indian rupee ten) lakhs without collateral security.

FINDINGS OF THIS STUDY

Various stakeholders, including the government, state authorities, universities, and start-up support organisations, champion diverse measures to bolster the requirements for start-ups, diversity, and the start-up ecosystem. One pivotal system widely embraced in academic circles is the concept of the entrepreneurial ecosystem. In Delhi NCR, many universities, colleges, and institutions actively encourage and support entrepreneurial ventures by implementing various government programs. Besides nurturing local start-ups, collaborations extend support to start-ups beyond the region, even welcoming assistance from abroad. This interconnectedness links multiple domestic and international ecosystems, amplifying the ecosystem's scale and enhancing the benefits for start-ups operating in the area (Watanabe et al., 2024).

An essential determinant of a country's economic trajectory lies in how much its government backs entrepreneurial initiatives. Governments that cultivate an environment fostering risk-taking, innovation, and entrepreneurship pave the way for individuals to embark on entrepreneurial pursuits. Government policies are the foundation upon which entrepreneurship flourishes, catalysing the birth of new ideas, job creation, and economic growth (Sharma & Saini, 2022). A myriad of policies, such as Start-up India, Stand up India, Made in India, Make in India, tax exemptions, self-certification of laws, ease of doing business measures, Atal Innovation Mission, and various funding schemes, spearheaded by the central government, significantly contribute to fostering an entrepreneurial ethos among the youth. Additionally, state governments roll out competitive schemes and support mechanisms, including appointing nodal officers and dedicated call centres to address issues raised by start-ups and entrepreneurs. State-level start-up policies further incentivise youth and aspiring

entrepreneurs to embark on the entrepreneurial journey. Moreover, government-led infrastructure development in the area plays a pivotal role in fostering the burgeoning start-up landscape. Despite the myriad challenges and opportunities inherent in the entrepreneurial journey, government support and initiatives serve as a beacon, encouraging entrepreneurs to cultivate and fortify the start-up ecosystem..

CONCLUSION

The developmental trajectory of the Delhi NCR start-up ecosystem is intricately woven with the fabric of governmental policies, serving as both accelerants and obstacles along the path to innovation and prosperity. Tax policies wield considerable influence, with lower tax burdens fostering an environment conducive to entrepreneurial ventures. These policies catalyse growth and encourage risk-taking by alleviating the financial strain on start-ups, ultimately propelling the ecosystem forward. Equally pivotal are government initiatives providing funding and grants to nascent start-ups. These lifelines offer crucial support to early-stage ventures, empowering them to navigate the tumultuous terrain of entrepreneurship with greater resilience and resourcefulness.

Furthermore, the quality of infrastructure, spanning transportation, energy, and communications, is a cornerstone of start-up success. Governmental investments in infrastructure modernisation enhance operational efficiency and lay the groundwork for sustained growth and scalability. In the context of Delhi NCR, a nexus of innovation and ambition, these policy interventions assume heightened significance. Policies crafted to nurture a supportive ecosystem bolster the region's competitive edge, fostering a culture of innovation and entrepreneurship. By breaking down barriers to entry and providing a fertile ground for start-ups to flourish, these policies drive economic growth and job creation, positioning Delhi NCR as a beacon of innovation on the global stage.

The symbiotic relationship between governmental policies and the start-up ecosystem in Delhi NCR underscores the transformative power of strategic interventions. By fostering an

environment ripe for innovation and growth, these policies lay the foundation for a vibrant and resilient entrepreneurial landscape poised to shape the region's future and beyond.

LIMITATION

This study is confined to the Delhi NCR area, limiting its geographical scope. Data was exclusively collected from secondary sources, which include websites, literature reviews, and various study reports. Future research should consider incorporating primary data and expanding the geographical scope to enhance the study's comprehensiveness.

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