

From Policy to Practice: A Case Study of Central Government Support for Startups in India

¹Neel Lalka, ²Prof. (Dr.) Navin Punjabi

¹Ph.D. in Business Administration & Policy, ²Principal

¹H.R. College of Commerce & Economics, Mumbai, affiliated with HSNC University, Mumbai, ²KPB Hinduja College of Commerce, Mumbai

Abstract—India's startup ecosystem has received increasing policy attention through government initiatives intended to promote innovation, improve access to finance and strengthen entrepreneurship. The Startup India framework encompasses multiple instruments, including seed funding, investment mobilisation, credit guarantees and regulatory facilitation. However, the presence of several programmes raises questions about their complementarity, implementation and ability to address the diverse constraints faced by startups.

This paper examines selected central government startup-support initiatives through a qualitative case-study approach. Using official government documents, scheme guidelines, parliamentary responses and relevant academic literature, it analyses the Startup India Seed Fund Scheme (SISFS), Fund of Funds for Startups (FFS) and Credit Guarantee Scheme for Startups (CGSS). It also considers the subsequent introduction of Startup India Fund of Funds 2.0. The analysis compares programme objectives, financing mechanisms, delivery arrangements and publicly reported implementation indicators.

The findings illustrate how the three original schemes address different financing constraints: early-stage product development, mobilisation of equity investment and access to debt finance. However, reported commitments, approvals, investments and guaranteed loans are not interchangeable measures, nor do they independently establish programme effectiveness. The paper argues that assessing public startup support requires greater attention to accessibility, coordination, beneficiary outcomes and the distinction between programme activity and economic impact. It proposes an outcome-oriented framework for evaluating central government startup policy and identifies directions for future empirical research.

Index Terms—Startup India, entrepreneurship policy, startup ecosystem, government support, seed funding, venture capital, credit guarantee, India

I. Introduction

Startups contribute to innovation, employment generation, competition and the development of new products and services. Yet new ventures frequently face constraints that established businesses may be better equipped to manage. These include uncertainty about product-market fit, limited operating history, insufficient collateral, difficulty attracting early-stage capital and the costs associated with product development and commercialization.

Government intervention can address some of these constraints by facilitating access to finance, supporting incubation, reducing regulatory friction and creating opportunities for startups to test and commercialize innovative solutions. Public intervention is particularly relevant where conventional financial institutions or private investors may be reluctant to finance ventures with limited operating histories and uncertain returns.

In India, the Startup India initiative was launched on 16 January 2016 with an action plan intended to develop a supportive environment for entrepreneurship. The framework encompasses policy measures and programmes addressing funding, regulatory facilitation, incubation and ecosystem development. By 31 March 2026, the Government of India reported more than 2.23 lakh recognized startups and over 23.36 lakh direct jobs associated with recognised startups. These figures demonstrate the reported scale of the recognized startup ecosystem, although they should not be interpreted as a causal assessment of Startup India's impact.

Three central government programmes illustrate different approaches to startup financing. The Startup India Seed Fund Scheme was designed to support proof of concept, prototype development, product trials, market entry and commercialization. The Fund of Funds for Startups seeks to catalyze venture capital through investments in eligible alternative investment funds. The Credit Guarantee Scheme for Startups aims to facilitate debt finance by providing guarantee coverage to eligible lending institutions.

These mechanisms are not interchangeable. Grants or seed-stage assistance can help a startup validate an idea, equity investment can finance expansion, and debt may support working capital or other eligible business requirements. The central policy question is therefore not simply how much funding has been announced, but whether the instruments address distinct financing constraints and how their delivery can be evaluated.

This paper examines the design and reported implementation of these programmes. It distinguishes policy objectives from administrative outputs and documented outcomes, avoiding the assumption that the existence of a scheme necessarily demonstrates its effectiveness.

II. Research Problem

The central government has introduced multiple initiatives to support startups, but the existence of separate programmes does not establish whether their objectives are adequately coordinated or whether eligible ventures can access the appropriate form of support.

A programme may have a substantial corpus but limited evidence of its impact on startup performance. Similarly, the number of approvals or loans guaranteed provides information about programme activity but does not, on its own, establish whether businesses survived longer, generated additional revenue or created jobs because of the intervention.

The research problem is to examine how selected central government support mechanisms are designed, how their implementation is reported and what the available evidence can establish about their contribution to startup development.

The study has four objectives:

1. To analyse selected central government initiatives designed to support startups in India.
2. To examine the financing constraints addressed by seed funding, investment mobilization and credit guarantees.
3. To assess programme delivery mechanisms and publicly available implementation evidence.
4. To recommend improvements in accessibility, coordination and outcome measurement.

The study addresses the following questions:

1. What financing constraints are the selected central government schemes intended to address?
2. How do the schemes differ in their objectives, delivery mechanisms and intended beneficiaries?
3. What evidence is publicly available concerning their implementation and outcomes?
4. How could the design and evaluation of central government startup-support programmes be improved?

III. Literature Review

3.1 Entrepreneurial ecosystems and public policy

Entrepreneurship develops within an ecosystem comprising founders, investors, customers, educational institutions, incubators, support organizations and public agencies. The ecosystem perspective highlights that startup development depends on interactions among these actors rather than on entrepreneurial capability alone.

Government policy can influence this environment through financial assistance, incubation infrastructure, regulatory facilitation and mechanisms that connect startups with investors and markets. However, the appropriate intervention depends on the nature of the constraint. An idea-stage venture may need assistance with prototype development, while a startup with validated demand may require growth capital, distribution partnerships or working capital. This suggests that startup policy should be evaluated by examining whether the instruments address identifiable constraints and complement other sources of entrepreneurial support.

3.2 Startup India and financing interventions

Startup India represents the national framework for central government efforts to encourage entrepreneurship. Its initiatives address funding and non-financial requirements, reflecting the understanding that startup development involves multiple stages and institutional needs.

The Seed Fund Scheme was designed to provide early-stage assistance for proof of concept, prototype development, product trials, market entry and commercialization. According to the government's April 2026 update, 219 incubators had been selected and the scheme's ₹945 crore corpus had been committed to them. These incubators had approved over ₹605 crore for more than 3,400 startups. These figures indicate

reported programme activity, but approvals should be distinguished from final disbursements and demonstrated commercial outcomes.

The Fund of Funds for Startups follows an intermediary-based model. Rather than investing directly in every startup, the government provides capital to eligible investment funds, which then invest in startups. The model seeks to catalyze domestic venture capital and mobilize investment through professional fund managers. Its effectiveness therefore depends not only on public commitments but also on how participating funds deploy capital and whether the resulting investments reach startups that would otherwise face financing constraints.

The Credit Guarantee Scheme for Startups addresses a different constraint: access to debt. The scheme provides guarantee coverage through its trustee to eligible financial institutions that finance qualifying startups. The revised framework increased the maximum debt eligible for guarantee coverage to ₹20 crore per borrower, subject to applicable conditions. The guarantee is not a direct grant to the startup, and the lending institution continues to assess the borrower's eligibility and creditworthiness.

Together, these schemes demonstrate that central government support uses different mechanisms to address early-stage funding needs, equity mobilization and access to debt finance. Their distinct structures make a common evaluation framework necessary.

3.3 Critical perspectives on entrepreneurship policy

Financial assistance is important, but it does not fully explain startup development. New ventures operate under uncertainty, and their requirements change as they test assumptions, refine products and search for viable markets. Policy mechanisms that focus narrowly on funding inputs may not capture the diversity of entrepreneurial pathways.

Nagaraj et al. (2025), in their discussion of Startup India, argue for a broader understanding of entrepreneurship policy that recognises entrepreneurial experimentation and the contextual differences among ventures. Their analysis provides a useful basis for examining whether support mechanisms are appropriate to the uncertainty and diversity inherent in entrepreneurship.

For the present study, this perspective implies that programme design should be considered alongside implementation, accessibility and evidence of outcomes. Financial commitments and administrative activity are important, but they should not be treated as substitutes for an assessment of business performance.

3.4 Research gap

The central government's startup-support framework includes multiple initiatives with different objectives and delivery arrangements. However, examining each scheme in isolation may not reveal how the overall framework addresses financing constraints or where evaluation gaps remain.

This study addresses that analytical need by comparing selected programmes through a common framework covering policy objectives, delivery mechanisms, intended beneficiaries and implementation evidence. It does not seek to establish causal impact but aims to clarify what can and cannot be concluded from publicly reported information.

IV. Research Methodology

4.1 Research design

The study adopts a qualitative, descriptive and analytical case-study design based on secondary data. The central government's startup-support framework constitutes the overall case, while SISFS, FFS and CGSS serve as units of analysis.

4.2 Sources of data

The study draws on official scheme guidelines, government policy documents, parliamentary responses, government press releases and relevant academic literature. Official sources are used to establish scheme objectives, eligibility conditions, delivery mechanisms and reported implementation figures. Academic literature provides the conceptual basis for interpreting the policy framework.

4.3 Analytical framework

Each programme is examined across six dimensions:

Dimension	Analytical Focus
Policy Objective	The constraint the scheme is intended to address
Type of Assistance	Seed funding, equity mobilization, credit guarantee
Eligibility	Qualifying conditions and intended beneficiaries
Delivery Mechanism	Incubators, investment funds or financial institutions
Outcome Evidence	Published information on commercialization, follow-on finance, employment or business performance

4.4 Limitations

The study relies on publicly available secondary data and does not include founder interviews, a primary survey or independent beneficiary-level verification. The schemes use different reporting measures and may publish information for different periods. The study therefore distinguishes between programme design, administrative outputs and demonstrated outcomes. It does not infer causal effects on startup performance where supporting evidence is unavailable.

The study is also limited only to the initiatives undertaken by Department for Promotion of Industry and Internal Trade (DPIIT) and Startup India.

V. Case Analysis: Startup support programmes by the Central Government

5.1 Startup India Seed Fund Scheme

The Startup India Seed Fund Scheme was designed to address the early-stage funding gap that can arise before a startup attracts private investment or becomes eligible for conventional lending. Its stated purpose is to support proof of concept, prototype development, product trials, market entry and commercialization.

The scheme operates through selected incubators. This delivery model provides an institutional route for evaluating startups and distributing support, rather than requiring the central government to assess every applicant directly.

The government's April 2026 update reported that 219 incubators had been selected and the full ₹945 crore corpus committed to them. The incubators had approved over ₹605 crore for more than 3,400 startups.

The figures demonstrate that the scheme has progressed beyond an announcement of its corpus to approvals for individual startups. However, they do not establish how much of the approved funding was ultimately disbursed, how many recipients launched commercially viable products or whether supported startups performed better than comparable unsupported ventures.

As per certain reports, a new version of the scheme is presently being planned.

Assessment: SISFS addresses a recognizable financing constraint at the early stage. Its evaluation should focus on actual disbursement, milestone completion, product development, commercialization and subsequent financing, rather than approvals alone.

5.2 Fund of Funds for Startups

The Fund of Funds for Startups was established to catalyse venture capital investment in India. Under its model, public capital is channeled through eligible alternative investment funds, which then invest in startups. The approach is intended to use professional investment managers to allocate capital and mobilize additional investment.

The government's April 2026 update reported that more than ₹7,000 crore had been disbursed to over 135 alternative investment funds by the end of financial year 2025–26. These supported funds had invested more than ₹26,900 crore in over 1420 startups.

These figures demonstrate the scale of reported investment activity associated with the scheme. However, the amount disbursed to investment funds and the amount subsequently invested in startups represent

different stages of the funding process. The investment total also does not, by itself, establish how much additional private capital was mobilized as a direct consequence of government participation.

The model raises further questions about the distribution of capital across sectors, stages and regions. Investment through professional funds may offer specialized evaluation and management, but the eventual allocation depends on the investment decisions of those funds and the eligibility of the startups they consider.

Assessment: FFS provides a mechanism for mobilizing investment through intermediaries. A stronger evaluation would examine additional private capital mobilized, the distribution of investments, follow-on funding and the performance of recipient startups over time.

5.3 Credit Guarantee Scheme for Startups

The Credit Guarantee Scheme for Startups seeks to facilitate debt finance by providing guarantee coverage for eligible credit facilities extended by participating institutions to qualifying startups. Its design addresses the risk considerations of lenders and is intended to improve access to debt funding.

Under the revised framework, the maximum debt eligible for guarantee coverage increased from ₹10 crore to ₹20 crore per borrower, subject to scheme conditions. The scheme is implemented through the National Credit Guarantee Trustee Company, which provides guarantee coverage to eligible member institutions. It can cover specified debt instruments and facilities, including eligible working-capital and venture-debt arrangements.

By the end of financial year 2025–26, the government reported that more than 410 loans amounting to over ₹1,250 crore had been guaranteed.

The reported number and value of guaranteed loans provide evidence of programme utilisation. Nevertheless, a guarantee does not automatically result in a loan for every startup. The startup must meet the applicable eligibility requirements, and the participating institution evaluates the financing proposal. The available figures also do not establish whether the scheme changed lenders' decisions, improved borrowing terms or expanded access for previously underserved businesses.

Assessment: CGSS provides a risk-sharing mechanism to facilitate debt finance. Its evaluation should examine additionality—whether the guarantee enabled credit that might otherwise not have been provided—as well as borrowing costs, repayment performance and the distribution of support.

5.4 Subsequent development: Startup India Fund of Funds 2.0

In April 2026, the Government of India notified Startup India Fund of Funds 2.0 with a corpus of ₹10,000 crore. The programme is intended to mobilize venture and growth capital through eligible alternative

investment funds, with priority areas including deep technology, early-growth startups supported by smaller funds, and technology-driven and innovative manufacturing startups. The government also issued operational guidelines for the scheme.

This development is relevant because it indicates a continuation and refinement of the government's investment-mobilization approach. The new fund should be distinguished from FFS 1.0, however, because its operational phase, priorities and deployment arrangements differ. Its announced corpus should not be interpreted as capital already invested in startups.

Assessment: Fund of Funds 2.0 provides a basis for examining how the government adapts its investment framework to priority sectors and growth-stage financing. Future assessment should track commitments to funds, private capital mobilization, investments reaching startups and subsequent outcomes.

VI. Comparative Analysis

The three original programmes address distinct financing constraints and use different delivery mechanisms.

Dimension	SISFS	FFS	CGSS
Primary Policy Objective	Support early-stage development and commercialization	Catalyze venture capital investments	Facilitate debt finance
Delivery Channel	Selected incubators	Eligible investment funds	Participating financial institutions
Form of Support	Seed-stage financial assistance under scheme conditions	Public capital channeled through investment funds	Guarantee coverage for eligible debt by startups to encourage collateral-free lending
Main Reported Indicator	Startup funding approvals	Investments made by supported funds	Loans and value of guaranteed debt
Important Evidence Gap	Final disbursements and commercial outcomes	Additional private capital and startup performance	Borrowing terms and repayment outcomes

Sources: official government scheme information and the April 2026 government update.

6.1 Complementary Financing Mechanisms

The schemes reflect the different requirements of startups at various stages. Early-stage assistance can help ventures validate an idea and develop a product. Equity investment can finance expansion and support

ventures with growth potential. Debt finance can meet eligible operating and investment needs where repayment capacity and the lender's assessment support borrowing.

This complementarity is a feature of the overall policy design. However, the available data do not establish whether startups routinely move from one scheme to another or whether the instruments form a coordinated financing pathway. That question requires programme-level and beneficiary-level evidence.

6.2 The Importance of Intermediaries

Incubators, investment funds and financial institutions play central roles in delivering the schemes. These intermediaries bring different forms of expertise and apply selection or credit-assessment processes. At the same time, the intermediary-based structure makes access dependent on the capacity, reach and practices of participating institutions.

Policy evaluation should therefore examine not only the number of intermediaries involved, but also their geographic coverage, application processes, time taken to make decisions and ability to reach eligible startups.

6.3 From Programme Activity to Outcomes

The government's reported figures indicate substantial programme activity, but activity and impact are distinct concepts. Commitments to incubators, investments made by supported funds and loans covered by guarantees describe different outputs. None independently establishes the causal effect of the intervention on startup survival, revenue, productivity or employment.

A more robust evaluation framework would distinguish:

- Inputs: public corpus, administrative resources and institutional capacity.
- Outputs: applications processed, approvals, funds disbursed, investments made and loans guaranteed.
- Outcomes: products commercialised, additional capital raised, revenue growth and jobs sustained or created.
- Impact: changes in startup performance attributable to the intervention, assessed using appropriate methods and comparison groups where feasible.

This distinction is central to an evidence-based assessment of government support.

VII. Recommendations

7.1 Improve lifecycle-oriented guidance

The Startup India platform could provide clearer guidance on which forms of support are relevant at different stages of venture development. This should include eligibility criteria, application routes, the role of intermediaries and links to complementary programmes.

7.2 Standardise implementation reporting

Scheme administrators should consistently distinguish between announced allocations, commitments, approvals, disbursements, investments reaching startups and final outcomes. This would improve comparability and reduce the risk of treating unlike measures as equivalent.

7.3 Strengthen outcome monitoring

Programme evaluation should include longitudinal information on commercialisation, follow-on funding, revenue development, employment and business survival, where feasible. Administrative indicators remain useful but should not substitute for outcome assessment.

7.4 Examine accessibility and distribution

Public reporting could provide more information on the distribution of support across geography, sectors, startup stages and eligible founder groups, subject to privacy safeguards. Such information would help identify potential gaps in access.

7.5 Evaluate additionality

For investment and credit-guarantee programmes, evaluation should consider whether public intervention mobilised financing that would not otherwise have been available on comparable terms. This would help distinguish the volume of activity associated with a programme from its incremental contribution.

7.6 Build feedback into policy design

Government agencies could use evidence from implementation, beneficiary experience and independent evaluations to refine eligibility, delivery processes and reporting requirements. The objective should be to improve the responsiveness of support mechanisms while maintaining appropriate governance and financial discipline.

These recommendations are derived from the policy analysis. Their effectiveness would need to be tested through further empirical research.

VIII. Conclusion

India's central government has developed a multi-instrument framework to support startups through early-stage funding, investment mobilisation and credit-risk sharing. The Startup India Seed Fund Scheme, Fund of Funds for Startups and Credit Guarantee Scheme for Startups illustrate distinct approaches to financing entrepreneurial ventures. The subsequent notification of Fund of Funds 2.0 indicates continued development of the investment-mobilisation framework, including a focus on deep technology, early-growth ventures and innovative manufacturing.

The analysis demonstrates the importance of distinguishing the purpose and delivery mechanism of each programme. Incubator-based assistance, investment through alternative investment funds and credit guarantees operate differently and address different financing constraints. Their contribution should therefore be assessed using indicators suited to their individual objectives, while also considering whether they complement one another.

The available official figures document programme commitments, approvals, investments and guaranteed loans. However, these administrative outputs do not independently establish the causal impact of the schemes on startup performance. A more comprehensive assessment requires comparable longitudinal data, evidence on accessibility and, where possible, credible evaluation of additionality and outcomes.

The paper's principal contribution is a framework for assessing central government startup support through policy design, delivery arrangements, implementation evidence and outcomes. It suggests that future evaluations should move beyond headline allocations and beneficiary counts to examine whether public interventions reach appropriate startups, address identifiable constraints and contribute to sustainable entrepreneurial development.

Further research could examine founder and incubator experiences, analyse startup-level outcomes or compare supported and comparable unsupported ventures. Such work would help establish not only how government support is designed and delivered, but also under what conditions it contributes to successful and sustainable businesses.

References

- [1] Department for Promotion of Industry and Internal Trade (DPIIT), Government of India. (2026). Startup India Initiative: Annual and programme updates. Government of India. Official DPIIT website.
- [2] Government of India, Press Information Bureau. (2026, April 17). Government recognises more than 55,200 startups during FY 2025–26, highest ever in a single year since launch of Startup India initiative. Official release.
- [3] Government of India, Press Information Bureau. (2026, April 13). Government notifies Startup India Fund of Funds 2.0 with ₹10,000 crore corpus to mobilize capital for startups. Official release.

- [4] Government of India, Press Information Bureau. (2026, April 25). DPIIT issues operational guidelines for ₹10,000 crore Startup India Fund of Funds 2.0. Official release.
- [5] Startup India. (n.d.). Startup India Seed Fund Scheme: Overview and FAQs. Government of India. Official scheme portal.
- [6] Startup India. (n.d.). Credit Guarantee Scheme for Startups. Government of India. Official scheme page.
- [7] Government of India. (2025, May 8). Credit Guarantee Scheme for Startups: Revised notification and guidelines. Gazette of India. Official notification.
- [8] Singh, V. K. (2020). Policy and regulatory changes for a successful startup revolution: Experiences from the Startup Action Plan in India (ADBI Working Paper No. 1146). Asian Development Bank Institute. Publication page.
- [9] Nagaraj, M. A., Kumar, K., Venumuddala, V. R., & Bhuwania, A. (2025). Taming the beast versus nurturing the beast: Rethinking entrepreneurship policy. *IIMB Management Review*, 37(4), Article 100617. <https://doi.org/10.1016/j.iimb.2025.100617>.