

Impact of Government Startup Schemes on MSMEs in India Case based Review

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Abstract

This paper examines the impact of key Indian government startup schemes—Startup India, MUDRA, and Stand-Up India—on the growth and development of Micro, Small, and Medium Enterprises (MSMEs). Using case studies, official data, and industry analysis, it highlights significant improvements in credit accessibility, women and SC/ST entrepreneurship, digital participation, and public procurement engagement through platforms like GeM. Real life beneficiaries show the magnitude to which the grassroots businesses have expanded through these schemes. Nevertheless, there are still hurdles to be climbed such as escalating NPAs, unequal geographical coverage and lack of awareness. The paper concludes by recommending strategic policy enhancements, improved outreach, and better monitoring mechanisms to maximize these schemes' long-term effectiveness.

Keywords:- Entrepreneurship, MSMEs, MUDRA, Public Procurement, Startup India

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) are the backbone of India's economy, comprising over 51 million units and employing approximately 117 million individuals. Such businesses account up to 40 percent of the national GDP in India non-agricultural sector and thus they are very important in ensuring there is inclusive growth, provision of employment opportunities and also regional prosperity. To realize this potential, the Indian government has come out with a variety of startup and credit programs that would enable entrepreneurs of different socio-economic and regional backgrounds through empowerment. One of the flagship initiatives is the MUDRA Yojana (Pradhan Mantri Mudra Yojana), launched in 2015, which provides collateral-free microloans to non-corporate, non-farm small and micro enterprises.

MUDRA offers three loan categories: Shishu (up to ₹50,000), Kishor (₹50,000 to ₹5 lakh), and Tarun (₹5 lakh to ₹10 lakh). In 2023, the government also introduced the Tarun Plus scheme to extend credit beyond ₹10 lakh for growing enterprises ready to scale further. The loans are also advanced by banks, MFIs and NBFCs with the help of a credit guarantee. First generation entrepreneurs, women and SC/ST communities especially have been able to gain more through the scheme via financial inclusion and economic mobility.. MUDRA's success underscores the government's commitment to supporting grassroots entrepreneurship and strengthening the MSME ecosystem across the country.

2. Review literature

Rao and Bhat(2019) examined the use of the MUDRA scheme to access entrepreneurship opportunity among young people in rural areas of South India. They concluded in their study that the availability of the small-ticket loans under Shishu and Kishor categories enabled the transition of informal businesses into formal business

enterprises. They however added that because of lack of financial literacy and mentorship, it was through follow-up that many businesses actually bloomed to levels other than subsistence.

Singh, S. & Mittal, P. (2021) coined the massive role played by the Stand-Up India scheme on the Scheduled Castes and Scheduled Tribes women entrepreneurs. The authors recorded that the scheme has not only linked life-saving credit but it has increased self-confidence and creation of local jobs. The paper has concluded that the relationship between the two factors; that is, financial access and mentorship support is a synergy affecting the issue of success.

Sharma and Gupta(2020) assessed the role of Startup India initiative in the development of MSME in terms of exemption of tax, ease in regulatory and facilitation of public procurement. In their analysis, the biggest beneficiaries were the startups in the metro cities whereas the entrepreneurs in the tier-2 and tier-3 cities faced difficulties owing to lack of awareness and digital preparedness. The research suggested that stronger out reach and incubation could be provided.

3. Objective:

- To evaluate how government initiatives like **Startup India**, **MUDRA**, and **Stand-Up India** contribute to the growth and development of **MSMEs** in India.
- To analyze their effectiveness by examining **real-life beneficiary cases**, focusing on access to finance, inclusivity, and business outcomes.

4.1 MUDRA (PMMY, 2015–present)

Category	Loan Amount Range	Purpose
Shishu	Up to ₹50,000	For early-stage businesses or startups
Kishore	₹50,001 to ₹5 lakh	For growing businesses needing working capital
Tarun	₹5 lakh to ₹10 lakh	For expanding established micro-enterprises
Tarun Plus	Above ₹10 lakh (introduced 2023)	For high-potential enterprises scaling further

As of 2024, over 52 crore loan accounts have been sanctioned under the MUDRA scheme, with more than ₹32.87 lakh crore disbursed. Approximately 68% of the beneficiaries are women, while around 50% belong to SC, ST, and OBC categories. In the financial year 2023–24 alone, women accounted for ₹2.22 lakh crore out of the total disbursement. The Tarun Plus scheme, launched recently, has supported over 22,500 businesses seeking credit beyond ₹10 lakh. One such beneficiary, Daya Rani from Punjab, used a ₹50,000 Shishu loan to start a boutique that now employs multiple local women.

4.2 Stand-Up India (2016–present)

The Stand-Up India scheme is designed to promote inclusive entrepreneurship by providing greenfield loans ranging from ₹10 lakh to ₹1 crore to women and SC/ST entrepreneurs. The loans, under CGFSI are supported by credit guarantees, and hence, lesser risk to the lenders. By 2024 more than 40,710 crore was sanctioned in 1.80 lakh accounts. It is interesting to note that over 81 percent of beneficiaries here are female displaying the emphasis of the scheme on gender empowerment. This project has helped the first generation of entrepreneurs to launch



and develop their business in different industries.

4.3 Startup India (2016–present)

The Startup India initiative comes with a validating structure that comprises but is not limited to incubation facilities, official recognition of start-ups, tax expeditions, relaxation of regulations, and provision of access to public procurement via the GeM portal. There has been an incredible increased business in the Government e-Marketplace (GeM), where the value of the gross merchandise increased by 100-fold, i.e., 422 crore to 5.43 lakh crore, which continues to positively impact the registered MSMEs and startups. As of 2022, startups of this initiative have provided nearly 2.7 lakh direct employment whereas the number of jobs made by the startups recognized by the DPIIT is more than 9 lakh so far. The scheme has been instrumental in fostering innovation and entrepreneurship, especially among youth and first-time founders.

5. Case Studies

5.1 MUDRA Beneficiary: Amit Kumar (Uttar Pradesh)

Amit Kumar, a 26-year-old entrepreneur from Kanpur, Uttar Pradesh, started his mobile repair shop with limited tools and no employees. In 2021, he availed a ₹2 lakh Kishor loan under the MUDRA Yojana. With the funds, Amit purchased advanced diagnostic and repair tools, improved his workspace, and digitalized billing systems. As business grew, he hired three assistants from his locality, contributing to local employment. His monthly income nearly tripled within a year. Amit credits MUDRA not only for financial support but also for boosting his confidence to expand. His case reflects the transformative power of microcredit for skilled youth.

5.2 MUDRA Beneficiary: Rajesh Gupta (Maharashtra)

Rajesh Gupta, a small-scale manufacturer from Nashik, Maharashtra, ran a modest fabrication unit. Facing rising orders but outdated equipment, he secured an ₹8 lakh Tarun loan under MUDRA in 2020. The loan enabled him to install semi-automated machinery, increasing production efficiency and quality. Rajesh expanded his product range and hired five new workers, all from nearby rural areas. With improved capacity, he began supplying to regional vendors and small industrial clients. His turnover had increased two fold in 18 months. The case of Rajesh portrays the impact of greater microcredit facilities by MUDRA in enabling the conventional MSMEs to become modernized and thereby generate employment that is significant and local.

5.3 Stand-Up India Impact

Stand-Up India scheme has turned out to be an intervention of extreme significance towards conducting inclusive entrepreneurship of women and SC/ST communities. By 2024, more than 81 percent of the sanctioned loans in the scheme have been issued to female entrepreneurs, which is evocative of the gender-empowering effects of the selected scheme. These women represent companies in various industries, such as food processing, boutique, logistics to the agriculture. An example is Meena Devi of Bihar, who took a 15 lakh loan to start a dairy business with 10 of the local women as workers. The scheme does not only provide finance but also handholding in terms of SIDBI and banks. It acts as the transitioning point to first generation entrepreneurs with marginal backgrounds.

5.4 Spillover Support & Public Procurement (GeM Platform)

The Government e-Marketplace (GeM) has become a vital tool for integrating MSMEs into public procurement. As part of the Startup India ecosystem, GeM witnessed a dramatic rise in procurement volume—from ₹422 crore in 2016 to ₹5.43 lakh crore by 2024. The platform enables small businesses and startups to bid for government

contracts transparently. MSMEs benefit from preferential access, reduced paperwork, and wider visibility across ministries and PSUs. For instance, a Pune-based stationery startup, registered under Startup India and GeM, secured multiple bulk orders from government schools, ensuring sustained revenue. GeM has thus become a critical support pillar for scaling small ventures.

6. Findings

6.1 Enhanced Credit Accessibility

- MUDRA has disbursed loans to over 52 crore accounts, totaling more than ₹32.87 lakh crore by 2024.
- A significant share of beneficiaries—68% women and 50% from SC/ST/OBC communities—shows increased inclusivity.
- Introduction of Tarun Plus has further extended support to high-growth micro-enterprises beyond ₹10 lakh.

6.2 Inclusive Entrepreneurship Promotion

- Stand-Up India has sanctioned over ₹40,710 crore to 1.80 lakh accounts, with 81% of loans going to women.
- The scheme has notably empowered first-generation entrepreneurs from marginalized backgrounds.
- Women like Meena Devi from Bihar demonstrate how these schemes support rural female-led businesses.

6.3 Employment Generation and Economic Mobility

- Startups under Startup India created around 2.7 lakh jobs in 2022, while DPIIT-recognized startups contributed 9 lakh+ cumulative jobs.
- MUDRA beneficiaries like Amit Kumar and Rajesh Gupta expanded local employment by hiring additional staff post-loan.

6.4 Digital Integration and Procurement Inclusion

- GeM's procurement volume rose from ₹422 crore in 2016 to ₹5.43 lakh crore by 2024, integrating MSMEs into government supply chains.
- MSMEs and startups benefit from simplified access, increased visibility, and transparent contract bidding.
- A Pune-based startup leveraged GeM and Startup India registration to scale operations through government school supply contracts.

6.5 Support for Rural and Small-Town Enterprises

- Beneficiaries from Kanpur, Nashik, and Ludhiana exemplify how schemes have reached beyond metro cities.
- Enterprises at the grassroots level have leveraged small-ticket loans to create stable income and expand operations sustainably.

6.6 Challenges and Areas for Improvement

- Despite progress, challenges persist such as rising NPAs, particularly in early-stage MUDRA loans.
- Uneven distribution of loans, with urban-centric concentration, indicates the need for targeted rural outreach.
- Low awareness in remote areas limits scheme adoption; financial literacy and mentorship remain critical needs.

7. Policy Implications and Recommendations

7.1. Financial & Business Training

To reduce Non-Performing Assets (NPAs) and improve long-term business viability, it is essential to bundle financial support with capacity-building. Programs such as Rural Self Employment Training Institutes (RSETIs) should be integrated with MUDRA and Stand-Up India disbursements. Entrepreneurial training in budgeting, digital payments, and compliance can significantly enhance repayment ability and sustainable business growth.

7.2 Targeted Awareness Campaigns

While schemes have seen widespread adoption, many rural and tier-3 regions remain under-informed. The government should collaborate with MSME chambers, NGOs, and local industry bodies (e.g., SGCCI) to promote awareness through community outreach, local language content, and regional workshops. Success stories like those of Daya Rani and Meena Devi can be leveraged to inspire participation.

7.3. Strengthen Digital Platforms

Digital platforms such as GeM and CGTMSE must become more accessible to small-town entrepreneurs. Simplified registration processes, mobile-friendly portals, and digital onboarding support will ensure that even low-tech users can engage with government procurement and credit guarantee services, expanding inclusion.

7.4. Continuous Monitoring and Evaluation

There is a pressing need to institute real-time tracking of scheme performance through data dashboards and field feedback. Monitoring key indicators such as loan usage patterns, NPA rates, and post-loan business performance will help identify bottlenecks and improve future policy designs.

7.5. Promote Gender and Social Equity

With over 81% of Stand-Up India loans going to women and 68% of MUDRA loans benefiting women, targeted schemes have shown strong equity potential. To enhance this, the government should expand mentorship networks, peer learning platforms, and sector-specific support for women and SC/ST entrepreneurs to ensure sustained growth beyond loan disbursal.

8. Conclusion

The study clearly demonstrates that government startup schemes such as **MUDRA, Stand-Up India, and Startup India** have played a transformative role in accelerating the growth of **MSMEs** in India. These initiatives have significantly enhanced **credit accessibility**, promoted **inclusive entrepreneurship**, and integrated small businesses into the **digital and public procurement ecosystem**. Real-life beneficiaries like Amit Kumar, Daya Rani, and Meena Devi exemplify the tangible socioeconomic impact of these schemes, particularly among **women, SC/ST entrepreneurs, and rural youth**.

While the schemes have created millions of jobs and enabled enterprise development, **challenges such as rising NPAs, regional disparities, and limited awareness** still hinder their full potential. Therefore, it is essential to move beyond loan disbursement and implement **integrated support systems**—including training, digital enablement, and targeted outreach—to ensure sustained impact. Strengthening these pillars will not only deepen the reach of government interventions but also help India unlock the true potential of its vibrant MSME and startup ecosystem.



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