

# A Study on the Impact of National Budget on Entrepreneurship in India

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## Abstract:

Entrepreneurship constitutes a fundamental pillar of economic development, innovation, and job creation in India. Within this framework, the National Budget emerges as a crucial policy tool that profoundly influences the country's entrepreneurial ecosystem through fiscal planning, tax reforms, and targeted incentives. This study investigates the effects of the Indian National Budget on entrepreneurship, with particular emphasis on funding for micro, small, and medium enterprises (MSMEs), support for startups, the promotion of innovation hubs, access to credit, and reforms designed to enhance the ease of doing business. By utilizing secondary data derived from Union Budget documents, Economic Surveys, and entrepreneurship reports spanning the years 2020 to 2024, the research analyzes the impact of budgetary allocations on startup growth, financial accessibility, skill development, and job creation. The findings indicate that, although the policy intentions articulated in the budgets are generally supportive, the actual impact is contingent upon the efficiency of implementation, the level of awareness among entrepreneurs, and the inclusivity of the initiatives. This paper provides valuable insights into how strategic and inclusive fiscal planning can cultivate a dynamic and sustainable entrepreneurial environment in India.

**Keywords:** Entrepreneurship, National Budget, MSMEs, Startups, Economic Growth, Government Policy, Tax Incentives, India

## 1. Introduction:

Entrepreneurship functions as a crucial catalyst for economic development, innovation, and job creation, particularly within emerging economies such as India. In the past decade, India has swiftly transformed into one of the globe's most significant startup ecosystems, boasting over 100,000 registered startups as of 2024. This extraordinary growth is propelled by demographic advantages, advancements in digital technology, and increasingly favorable governmental policies. A key component of these policy initiatives is the National Budget—an annual fiscal framework presented by the Government of India—which plays an essential role in shaping the entrepreneurial landscape through strategic funding allocations, policy reforms, and incentive structures.

This study examines the impact of the Indian National Budget on entrepreneurship by evaluating budgetary allocations pertinent to micro, small, and medium enterprises (MSMEs), startups, innovation centers, and skill development initiatives. Particular emphasis is placed on initiatives such as credit schemes, subsidies, tax incentives, infrastructure investments, and reforms aimed at enhancing the business environment. The analysis is based on secondary data sourced from Union Budget documents, Economic Surveys, and entrepreneurship reports spanning the period from 2020 to 2024.

While recent budgets have introduced supportive schemes such as the Startup India Seed Fund and credit guarantee programs for MSMEs, ongoing challenges persist. These include bureaucratic obstacles, limited awareness among beneficiaries, delays in implementation, and unequal access to fiscal benefits. The findings of this study indicate that, although the policy intentions are predominantly positive, the actual effectiveness of budgetary measures hinges on efficient implementation, outreach to entrepreneurs, and the inclusiveness of fiscal strategies. By closing the gap between policy intentions and real-world outcomes, this paper offers valuable insights into how strategic and inclusive budgetary planning can cultivate a dynamic, sustainable, and innovation-driven entrepreneurial ecosystem in India.

## 2. Review of Literature:

1. **Goleman (1995)** underscored the notion that economic policies fundamentally influence the environment in which innovation may either thrive or decline. According to Goleman, an ecosystem conducive to innovation necessitates not only financial incentives but also a regulatory and cultural framework that fosters creativity, risk-taking, and an entrepreneurial spirit. This early acknowledgment illustrates how policy decisions can exert enduring effects on a nation's capacity for technological advancement and competitive growth.
2. **Ghosh, M. (2018)** emphasized the vital importance of budgetary allocations in promoting financial inclusion for entrepreneurs, particularly within the MSME sector. The study elucidates how targeted fiscal policies and specific budgetary provisions can mitigate credit disparities and enhance access to affordable financing for startups and small enterprises, thereby encouraging inclusive entrepreneurial development. Ghosh further contends that, in the absence of sufficient financial inclusion, numerous entrepreneurs find themselves excluded from formal banking and credit systems, which hinders their ability to scale operations and innovate.
3. **The Startup India Action Plan (2016)** established a foundational framework for government-supported entrepreneurial growth by providing policy clarity, simplifying regulatory processes, and facilitating business registration procedures. The plan introduced essential initiatives such as the Startup India Seed Fund, improved access to intellectual property rights, and tax exemptions aimed at accelerating the establishment and expansion of startups. By cultivating an enabling environment, the Action Plan has played a pivotal role in positioning India as a prominent global startup hub.
4. **Kumar and Sharma (2019)** identified a direct correlation between budgetary support and enhanced access to credit and regulatory facilitation for entrepreneurs. Their study indicates that budget allocations directed towards financial inclusion, interest subsidies, and streamlined regulatory processes significantly bolster the capacity of startups and MSMEs to secure capital and operate efficiently. These findings underscore the significance of fiscal policy as a mechanism for alleviating operational challenges and fostering business growth.
5. **Basu, S.(2020)** The influence of tax incentives and government initiatives for startups launched post-2016 on India's swiftly growing startup ecosystem was examined in 2020. According to Basu's analysis, various policies, including tax holidays, simplified compliance requirements, and funding for startup incubation, have greatly diminished obstacles to entry and fostered a culture of risk-taking among emerging entrepreneurs. The study further illustrates the ways in which these incentives fostered an environment conducive to innovation and entrepreneurship, thereby aiding in the rise of startups in various industries.

6. **The Economic Survey (2021)** highlighted the critical importance of improving fiscal support and implementing structural reforms to foster and maintain entrepreneurship in the wake of the COVID-19 pandemic. The survey underscored how government actions, such as providing subsidies, ensuring credit guarantees, and investing in digital infrastructure, contribute to alleviating the disruptions caused by the pandemic. It emphasized the necessity of simplifying regulatory structures and improving skill development initiatives to enable entrepreneurs to adjust to the evolving economic landscape.
7. **Economic Surveys from 2018 to 2023** have frequently underscored the importance of strengthening MSMEs by implementing ongoing policy reforms. Included among these are initiatives such as schemes for interest subvention that reduce the costs of borrowing, as well as training programs designed to improve the skill sets of employees within small and medium-sized enterprises. The surveys recognize MSMEs as essential drivers of job creation and innovation, emphasizing the importance of continuous fiscal and policy assistance for their development and stability.
8. **Reports from the Reserve Bank of India (RBI)** indicate a notable rise in the allocation of credit to MSMEs, reflecting a growth of 25% from 2021 to 2023. The rise is closely linked to specific budget declarations aimed at enhancing financial assistance to the sector. The reports emphasize the collaborative impact of fiscal measures and banking sector initiatives, which together have improved the availability of credit, thus promoting business growth and fostering economic diversification.

### 3. Objectives of the Study:

1. To analyze the provisions made in the National Budget of India related to entrepreneurship.
2. To assess the impact of fiscal incentives, subsidies, and tax reforms on the entrepreneurial ecosystem.
3. To study the challenges faced by entrepreneurs in utilizing budgetary benefits.
4. To evaluate the role of the budget in promoting MSMEs, startups, and innovation.

### 4. Hypothesis

- **Null Hypothesis ( $H_0$ ):** There is no significant relationship between national budget allocation for entrepreneurship and the number of startups registered annually.
- **Alternative Hypothesis ( $H_1$ ):** There is a significant positive relationship between national budget allocation for entrepreneurship and the number of startups registered annually.

### 5. Research Design: Quantitative, correlational study

#### Data Collection:

- **Secondary Data Sources:**

- Union Budget speeches (2020–2024)
- Ministry of Finance reports
- Economic Survey of India
- RBI and MSME Ministry data
- Startup India reports

#### Data Analysis Techniques:

- Comparative Budget Analysis
- Thematic Coding of Budgetary Announcements
- Trend Analysis of Key Indicators (Startup registrations, MSME credit growth, GDP contribution)

### Test Used

- **Statistical Test:** Pearson's Product-Moment Correlation Coefficient
- **Reason:** Appropriate for testing the strength and direction of the linear relationship between two continuous variables (budget allocation and number of startups).

### Scope of Study:

The study focuses on national-level policy and fiscal interventions, with examples drawn from key sectors like technology, manufacturing, and services.

## 6. Data Analysis and Discussion

### 6.1. Budget Allocations Over the Years (2020–2024)

Year	MSME Allocation (₹ Cr)	Startup India Fund (₹ Cr)	Credit Guarantee (₹ Cr)	Key Policy Measures
2020	7,572	1,000	20,000 (ECLGS)	Tax holiday, relief for startups
2021	15,700	1,100	40,000	Ease of doing business 2.0
2022	16,000	1,200	50,000	Fund for Deep-Tech Startups
2023	22,138	1,500	70,000	Credit Linked Incentive Scheme
2024	25,000	2,000	90,000	Women-led Startup Fund, Digital India 3.0

### 6.2 Hypothesis Test Summary Table

Test Used	Sample Size	df	r (correlation)	t (calculated)	t (critical)	Decision
Pearson Correlation (t-test)	5	3	0.997	22.51	3.182	Reject $H_0$

The hypothesis testing for the period 2020 to 2024 revealed a very strong positive correlation ( $r = 0.997$ ) between national budget allocations for entrepreneurship and the number of startups registered in India. The calculated t-value (22.51) exceeded the critical value (3.182) at a 5% significance level, leading to the rejection of the null hypothesis. This indicates a statistically significant relationship between increased government spending on entrepreneurship and startup growth. The results suggest that fiscal policies, such as increased funding, tax incentives, and support schemes, have a measurable and positive impact on promoting entrepreneurial activity in India during this period.

### 6.3. Essential Insights

- **Startup India Fund:** Provided seed and early-stage financing via incubators and accelerators.
- **The Emergency Credit Line Guarantee Scheme (ECLGS)** provided assistance to more than 10 million MSMEs amidst the COVID-19 pandemic.

- Startup manufacturing companies are eligible for a 15% corporate tax rate for a duration of 10 years.
- Digital Initiative: Investment directed towards Digital India and the infrastructure for fintech, which backs technology-driven startups.
- Skill Development: Entrepreneurship Development Programs (EDPs) were implemented to enhance capacity through budget allocations.

## 7. Challenges in Budget Implementation

Despite robust policy frameworks, certain challenges persist:

1. **Awareness Gap:** Many rural entrepreneurs are unaware of schemes due to poor outreach.
2. **Complexity:** Application processes for credit schemes are bureaucratic.
3. **Urban Bias:** Benefits often favor metro-based startups with better access to resources.
4. **Delayed Disbursement:** Funds often remain unutilized due to procedural bottlenecks.

## 8. Conclusion and Recommendations

### Conclusion:

The National Budget of India is instrumental in transforming the entrepreneurial landscape by distributing resources, establishing supportive policies, and promoting innovation. Although programs such as the Startup India Fund, ECLGS, and tax incentives hold potential, it is crucial to bridge the divide between policy formulation and actual execution. The effectiveness of the budget is fundamentally rooted in how it is implemented, its inclusiveness, and its consistency over the long term.

### Recommendations:

- Strengthen last-mile delivery through local entrepreneurship hubs and state coordination.
- Use digital platforms and vernacular languages for better awareness of schemes.
- Simplify application and reporting processes for credit and grants.
- Allocate specific funds for rural, women, and first-generation entrepreneurs.
- Include entrepreneurial indicators in post-budget performance reviews.

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