



# An Empirical Study on the Barriers to Accessing Government schemes for start-ups in MP

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## Abstract

The state of Madhya Pradesh, often referred to as the heart of India, has, attracted investments in a diverse mix of sectors ranging from heavy engineering, information technology, electronics system design and manufacturing (ESDM), Telecommunications and automobiles. As a result, one of the interesting aspects about the state is the abundance of skilled technical workforce, thereby providing a tailor-made platform to promote startups in the state. The state has evolved its policies to offer a startup friendly ecosystem with a clear focus on incubation, funding and individual startups. The policy offers benefits and incentives across various areas of intervention to startups. Madhya Pradesh has emerged as a potential hub for entrepreneurial activity in India. The MP Startup Policy 2022 and initiatives like “Startup MP” have aimed to foster innovation and promote startup culture. Despite these efforts, startups face several challenges in accessing government schemes. This study explores these barriers empirically and compares MP’s performance with states of similar economic and demographic contexts, including Rajasthan, Bihar, Uttar Pradesh, West Bengal, Andhra Pradesh, and Odisha. The Government of Madhya Pradesh (MP) has initiated various schemes and policies to promote startups, yet significant barriers limit their accessibility. This study investigates these barriers using data from state-level reports, comparative analyses, and stakeholder insights. It identifies challenges across institutional support, incubation and mentorship, funding access, regulatory frameworks, market linkages, and awareness outreach. The paper provides actionable recommendations to bridge these gaps, aiming to enhance policy efficacy and startup growth in the region.

**Keywords:** *Startups, schemes, ecosystem, entrepreneurial activity.*

## 1. Introduction

### Challenges Faced by Startups in Accessing Government Schemes in MP:

- Awareness and Outreach:** Many startups are unaware of the available government schemes and incentives. The 2019 report on Madhya Pradesh's startup ecosystem highlights the need for increased awareness and outreach to ensure startups are informed about the support available to them.
- Regulatory Hurdles:** Complex regulatory frameworks can deter startups from availing benefits. Simplifying regulations and providing clear guidelines are essential to facilitate easier access to government schemes.

3. **Public Procurement Challenges:** Startups often face difficulties in participating in government tenders due to stringent eligibility criteria, such as prior experience and turnover requirements. While the Madhya Pradesh government has made provisions to ease public procurement for startups, further relaxation and effective implementation are needed to enhance participation.
4. **Incubation Support:** Limited access to quality incubation centers can hinder startups from receiving necessary mentorship and resources. The state has been working to establish and upgrade incubators, but challenges remain in ensuring widespread availability and accessibility.
5. **Seed and Venture Funding:** Access to adequate funding remains a significant barrier. Although the state has initiated funds like the Madhya Pradesh MSME Fund Trust, startups still face challenges in securing early-stage and venture capital funding.
6. **Policy Implementation:** While policies like the Madhya Pradesh Startup Policy and Implementation Scheme 2022 have been introduced to support startups, effective implementation and timely disbursement of benefits are crucial. Delays and bureaucratic procedures can impede startups from accessing the intended support.

## 2. Literature Review

Studies on India's startup ecosystem highlight the significance of state policies in fostering entrepreneurship. Institutional support, funding access, and awareness campaigns are pivotal. However, empirical evidence points to systemic inefficiencies, especially in tier-2 and tier-3 regions, which mirror MP's demographic composition. Comparative state-level analyses provide insights into best practices and persistent gaps.

Baporikar (2014), in her research paper "*Youth Entrepreneurship in the Indian Scenario*," explores the role of youth entrepreneurship in India, focusing on its integration with various factors such as business models for youth entrepreneurship (YE), barriers affecting YE, and its impact on reducing unemployment. Similarly, Kshetri and Kshetri (2016), in their article "*Fostering Startup Ecosystem in India*," highlight the factors and consequences that contribute to the growth of India's startup ecosystem. Their research identifies key determinants of entrepreneurship that influence entrepreneurial performance, including a) the regulatory framework, b) values, culture, and skills, and c) access to finance, markets, R&D, and technology.

Andaleeb and Singh (2016), in their report titled "*A Study of Financing Sources for Start-up Companies in India*," detail the stages of startups and the financing options available at each phase. These stages include six investment phases: Self-Funding or Bootstrapping, Friends and Family, Seed, Growth (also known as the 'Early Stage'), and Expansion. Adhana (2016), in his paper "*Start-Up India, Stand-Up India: India Turning into a Start-Up Hub by Prospering Entrepreneurial Culture*," examines the Indian startup ecosystem, discussing entrepreneurial culture, funding sources, types of investors, and the factors contributing to the success or failure of startups.

Manshani and Dubey (2017) conducted a study on women entrepreneurs in India, identifying various factors that promote and encourage women's empowerment through entrepreneurial development. Jha (2018), in her article *"Entrepreneurial Ecosystem in India - Taking Stock and Looking Ahead,"* emphasizes the role of education, training, and socio-cultural factors in shaping India's startup ecosystem.

Kalyanasundaram et al. (2021), in their paper *"Tech Startup Failure in India: Do Lifecycle Stages Matter?"* investigate the causal factors and attributes that lead to the failure of tech startups compared to successful ones. Chillakuri et al. (2020), in their article *"Linking Sustainable Development to Startup Ecosystem in India - A Conceptual Framework,"* propose a framework connecting the startup ecosystem with environmental sustainability, emphasizing that sustainability extends beyond reducing carbon emissions to being a core principle for organizations and society.

Finally, Garg and Gupta (2021), in their research *"Startups and the Growing Entrepreneurial Ecosystem,"* discuss the contribution of startups to economic growth, the role of incubators in their development, the significance of intellectual property (IP) protection, and the various stages of series funding for startups.

### 3. Research Methodology

This study employed mixed-methods research:

- **Secondary Data:** The analysis used in the paper is mainly of secondary data. Analysis of state-specific startup reports, including MP's Startup Policy 2022, and comparative data from high performing states like Tamil Nadu, Maharashtra, Karnataka and Gujarat and similar performing states like Rajasthan, Bihar, Uttar Pradesh, West Bengal, Andhra Pradesh, and Odisha.
- **Evaluation Metrics:** The study focused on seven criteria—Institutional Support, Incubation and Mentorship, Fostering Innovation, Market Access, Funding, Capacity Building, and Sustainability.

### 4. Findings and Discussion

There are some criteria on which every state in India is assessed as far as the startup eco-system is there. They are:

1. **Institutional Support:** Refers to the policies, frameworks, and dedicated infrastructure provided by the government to foster the startup ecosystem. This includes online portals, grievance mechanisms, nodal agencies, and ease of doing business initiatives.
2. **Incubation and Mentorship:** Encompasses the availability of incubation centers, accelerators, and mentorship programs that support startups through resources, guidance, and training. These programs are critical for startups in early stages, helping with business strategies and scalability.
3. **Fostering Innovation & Entrepreneurship:** Focuses on initiatives to encourage creative solutions, technology-driven innovation, and entrepreneurial ventures. This includes programs for R&D, hackathons, and sector-specific innovation hubs to stimulate ideas and product development.

4. **Access to Market:** Indicates the ability of startups to connect with domestic and global markets through investor meets, procurement facilitation, supply chain linkages, and business networking opportunities. Effective market access helps startups scale their operations.
5. **Funding Support:** Relates to financial assistance provided to startups through venture capital funds, angel networks, grants, seed funding, and state-backed funding initiatives. Accessible funding is crucial for startups to manage operations and growth.
6. **Capacity Building of Enablers:** Refers to the training and development of key ecosystem players such as incubator managers, government officials, and startup mentors. It also includes awareness campaigns and workshops to enhance the entrepreneurial skill set of stakeholders.
7. **Roadmap to a Sustainable Future:** Involves integrating sustainability goals into the startup ecosystem, such as promoting renewable energy, green technologies, and ESG-compliant (Environmental, Social, Governance) startups. A sustainable roadmap ensures long-term economic and environmental viability.

#### **4.1 Barriers Identified:**

##### **4.1.1 Awareness and Outreach**

- Despite conducting over 1200 workshops, awareness remains low in rural and semi-urban areas.
- Lack of targeted campaigns for tier-2 and tier-3 cities hinders inclusivity.

##### **4.1.2 Institutional Support**

- The “Startup MP” portal offers essential services, but user engagement is limited due to lack of multilingual support and complex navigation.
- Grievance redressal mechanisms require faster query resolution.

##### **4.1.3 Incubation and Mentorship**

- MP has 50+ incubators, yet regional disparities exist. Most facilities are concentrated in Indore and Bhopal.
- Mentorship programs lack sector-specific customization.

##### **4.1.4 Funding Access**

- The MP Venture Finance Fund supported 110 startups, but early-stage funding is scarce.
- Complex application processes deter small startups from availing benefits.

##### **4.1.5 Public Procurement**

- Startups face challenges in accessing government tenders due to high eligibility thresholds.
- Limited exemptions for startups in procurement policies.

#### 4.1.6 Regulatory Frameworks

- Startup registration processes have improved, but delays in approvals persist.
- Sector-specific regulatory guidance is insufficient.

#### 4.1.7 Market Access and Sustainability

- Limited programs to connect startups with domestic and global markets.
- Support for renewable energy startups is commendable but lacks scalability.

### 5. Comparative Analysis

**5.1 Madhya Pradesh vs. High Performing States on Challenges Faced by Startups in Accessing Government Schemes:** While Madhya Pradesh has made commendable efforts with focused policy interventions and institutional support, states like Karnataka, Maharashtra, Gujarat, and Tamil Nadu remain ahead due to robust international linkages, advanced incubation systems, and higher resource allocation.

**Table 1: Comparison of Madhya Pradesh with High Performing States in Accessing Government Schemes:**

Challenges	Madhya Pradesh	Karnataka	Maharashtra	Tamil Nadu	Gujarat
Awareness and Outreach	Organized 1200+ workshops and events, moderate outreach through online portal	Extensive outreach via multilingual chatbot, high engagement with startups	High awareness with 18,000+ registered startups, multiple large-scale events	Focused outreach programs, 240+ IIEI events, significant rural engagement	Advanced chatbot and real-time query resolution, strong outreach initiatives
Regulatory Hurdles	Simplified regulations but implementation remains slow compared to peers	Well-defined and transparent regulations, ease of access for startups	Advanced regulatory framework, strong ease-of-doing-business measures	Simplified regulations for DPIIT recognition, user-friendly processes	Efficient regulatory framework, clear support mechanisms
Public Procurement Challenges	Limited facilitation in tenders, lacks streamlined processes	Strong facilitation for startups in public tenders, transparent processes	Proactive facilitation for startups in procurement processes	Dedicated efforts in tender facilitation but scope for improvement	Streamlined public procurement with priority for startups
Incubation Support	50+ incubators, Smart Seed Indore Incubator, needs scalability	Linked to top academic institutions like IISc and IIMs for advanced incubation	Over 100 incubators, significant mentor linkages globally	IIEI-linked incubators, proactive support for women entrepreneurs	Well-established incubators with high mentor involvement
Seed and Venture Funding	MP Venture Finance Fund active, supported 110+ startups	High venture capital access, extensive funding opportunities	High funding availability, strong investor networks	Well-funded seed and venture capital initiatives, focused on inclusivity	Robust funding mechanisms, excellent venture capital access
Policy Implementation	Comprehensive policy updated in 2022, still lacks efficient execution in some areas	Efficiently implemented policies with sectoral focus and innovation hubs	Policies implemented with measurable impacts on ecosystem growth	Policies implemented with clear goals for innovation and sustainability	Policies implemented with clear timelines and strong monitoring

**5.2 Madhya Pradesh vs. Similar Performing States on Challenges Faced by Startups in Accessing Government Schemes:** Madhya Pradesh shares many challenges with states like Rajasthan, Bihar, Uttar Pradesh, West Bengal, Andhra Pradesh, and Odisha in enabling startups to access government schemes.

**Table2: Comparison of Madhya Pradesh with Similar Performing States in Accessing Government Schemes:**

Challenges	Madhya Pradesh	Rajasthan	Bihar	Uttar Pradesh	West Bengal	Andhra Pradesh	Odisha
Awareness and Outreach	1200+ workshops/events, moderate visibility through 'Startup MP' portal	Moderate outreach, initiatives like iStart Rajasthan increasing awareness	Awareness focused on rural startups, minimal urban coverage	Increasing outreach with events in major cities, lacks tier-2 focus	Focused campaigns like 'Startup Bengal', significant regional outreach	Good awareness, initiatives in urban areas, less focus on rural regions	Strong rural outreach through Startup Odisha programs
Regulatory Hurdles	Simplified but slow implementation compared to peers	Simplified regulations, clear processes but slower resolution timelines	Lacks clarity in regulatory support, underdeveloped framework	Simplified regulations for startup recognition, improving ease of access	Moderate regulatory support, still bureaucratic for small startups	Simplified regulations for ease of doing business, tech sector focus	Simplified regulatory frameworks, good grievance redressal system
Public Procurement Challenges	Limited facilitation, lacks streamlined tender processes	Minimal facilitation for startups in government tenders	Significant challenges in accessing public procurement opportunities	Some facilitation in tendering processes, not fully streamlined	Limited tender facilitation, some progress in e-governance systems	Some improvements in procurement processes for startups	Improving tender facilitation, moderate accessibility for startups
Incubation Support	50+ incubators, Smart Seed Indore Incubator, needs scalability	Emerging incubator network, 40+ incubators across key sectors	Few incubators, most located in Patna and regional hubs	70+ incubators, improving regional spread through state initiatives	40+ incubators, mostly centered around Kolkata	Focused incubation initiatives, 60+ incubators in operation	50+ incubators, strong sectoral focus on agriculture and handicrafts
Seed and Venture Funding	MP Venture Finance Fund active, supported 110+ startups	Limited funding programs but active angel network	Limited seed funding programs, heavy dependence on central schemes	State-supported venture funding, early-stage support improving	Limited funding availability, improving partnerships with private sector	Improving funding mechanisms, partnerships with private players	Improving seed funding with state-level initiatives
Policy Implementation	Comprehensive 2022 policy update, needs better execution	Policy focus on regional development, slow implementation	Policies focused on agriculture startups, implementation lags	Focused on district-level policy implementation, moderate success	Policy implementation aligned with MSME development goals	Policies aligned with tech sector, moderately well implemented	Policy focus on rural startups and social impact, fairly well

**5.3 Madhya Pradesh vs. High Performing States on the Key Criteria:** Madhya Pradesh performs moderately across these criteria but trails significantly behind high-performing states. To improve, it can adopt Gujarat's sector-specific incubation strategies, Karnataka's innovation hubs, Maharashtra's global market linkages, and Tamil Nadu's ecosystem-wide capacity-building efforts.

**Table3: Comparison of Madhya Pradesh with High Performing States on Key Criteria:**

Criteria	Madhya Pradesh	Karnataka	Maharashtra	Tamil Nadu	Gujarat
Institutional Support	Comprehensive portal (Startup MP), nodal officer, active policy, grievance redressal	Multilingual chatbot, fast grievance resolution, extensive outreach	High number of active policies, excellent ecosystem integration	Simplified DPIIT recognition, multilingual assistance	Advanced chatbot features, fast query resolution
Incubation and Mentorship	50+ incubators, Smart Seed Incubator in Indore	Strong linkage with IISc/IIMs, high R&D focus	100+ incubators linked with global mentors	Numerous HEI-linked incubators	Strong incubator support, high mentor involvement
Fostering Innovation & Entrepreneurship	Product-based startups focus, youth innovation workshops	100+ events, innovation centers in HEIs	18,000+ startups, massive student entrepreneur events	7,000+ startups supported, 240 HEI events	Extensive innovation focus across sectors
Access to Market	PE/VC Connect for investor-startup linkages	Global market access initiatives, strong tender facilitation	Strong focus on domestic/global showcases for startups	Dedicated domestic and international access programs	Proactive procurement policies for startups
Funding Support	State funding for 110+ startups, MP Venture Finance	High venture capital access, global investment programs	High funding access, top global investment platforms	Well-funded, women-led startup initiatives	Excellent venture capital networks and state funding
Capacity Building of Enablers	1200+ sensitization workshops, incubator training	Collaborations with international partners for training	Dedicated resources for capacity building at scale	Sector-specific capacity building for entrepreneurs	Extensive capacity building programs, hands-on support
Roadmap to a Sustainable Future	50+ renewable energy/climate startups supported	Leading in sustainability-focused policies and startups	Integrated focus on ESG practices and climate initiatives	Sustainability projects integrated with regional priorities	Innovative circular economy and green policies

**5.4 Madhya Pradesh vs. Similar Performing States on the Key Criteria:** Madhya Pradesh performs moderately across these criteria, with strengths in institutional support and incubation but lags behind in market access and funding. States like Rajasthan and Andhra Pradesh set benchmarks in innovation and global connections, while Odisha and Bihar remain focused on rural-centric initiatives. West Bengal balances MSME and green economy priorities but lacks broader ecosystem integration.

**Table 4: Comparison of Madhya Pradesh with Similar Performing States on Key Criteria :**

Criteria	Madhya Pradesh	Rajasthan	Bihar	Uttar Pradesh	West Bengal	Andhra Pradesh	Odisha
Institutional Support	Comprehensive "Startup MP" portal, moderate engagement, updated policies	1Start Rajasthan, streamlined portal and grievance redressal	Developing institutional support, focus on agriculture startups	Startup UP initiative, growing institutional support structure	Startup Bengal initiative, portal and grievance mechanisms	Well-defined institutional framework, focus on ease of doing business	Startup Odisha initiative, good grievance redressal systems
Incubation and Mentorship	50+ incubators, Smart Seed Incubator, sector-focused initiatives	40+ incubators, emerging network, focused on MSMEs	Limited incubator presence, concentration in Patna	70+ incubators, efforts to expand to tier-2 cities	40+ incubators, centered around Kolkata	60+ incubators, sector-specific programs	50+ incubators, focus on agriculture and handicrafts
Fostering Innovation & Entrepreneurship	Innovation workshops and events, focus on youth and students	Innovation-driven initiatives, sectoral focus in agriculture and IT	Minimal innovation-focused initiatives, rural-centric startups	Innovation programs targeting education and agriculture	Targeted innovation programs for MSMEs and tourism	Tech-focused innovation programs, IT and agriculture initiatives	Rural innovation workshops, focus on MSMEs
Access to Market	Limited investor-startup linkages, basic access programs	Moderate market access programs, few global connections	Little emphasis on market access, basic local connections	Some market access programs, limited investor presence	Basic market access programs, e-governance focus	Moderate market access programs, improving global connections	Moderate efforts in market access, investor meets organized
Funding Support	MP Venture Finance Fund, supported 110+ startups	Limited state funding programs, active angel networks	Limited funding availability, dependence on central schemes	State-supported venture funding initiatives	Limited funding programs, collaboration with private players	Improved funding mechanisms, partnership with investors	State-level funding initiatives, early-stage support improving
Capacity Building of Enablers	1200+ workshops, training for incubators and officials	Workshops targeting MSMEs and rural startups	Low capacity-building efforts, minimal focus on enablers	Capacity-building efforts focused on district-level entrepreneurship	Capacity-building programs aligned with industrial hubs	Workshops for ecosystem enablers, increasing outreach	Capacity-building workshops for rural entrepreneurs
Roadmap to a Sustainable Future	Support for renewable energy startups, rural entrepreneurship focus	Rural sustainability programs and initiatives for artisans	Focus on social impact startups in rural areas	Focus on agriculture and MSME sustainability projects	Tourism and green economy-focused programs	Focus on renewable energy and IT sustainability	Strong rural sustainability focus and green economy projects

## 6. Recommendations

### 6.1 Enhancing Awareness and Outreach

- Conduct localized campaigns targeting rural and semi-urban areas.
- Leverage digital platforms with multilingual support to increase accessibility.

### 6.2 Strengthening Institutional Support

- Simplify the navigation of the "Startup MP" portal.
- Reduce grievance redressal timelines to under 15 days.

### 6.3 Expanding Incubation and Mentorship

- Increase the number of incubators in underserved regions.
- Develop sector-specific mentorship programs tailored to local industries.

### 6.4 Improving Funding Mechanisms

- Simplify funding application processes and ensure transparency.
- Collaborate with private investors to expand early-stage funding.

## 6.5 Addressing Public Procurement Challenges

- Lower eligibility thresholds for startups in tenders.
- Provide dedicated training programs on tender applications.

## 6.6 Fostering Innovation and Sustainability

- Expand support for renewable energy and climate-tech startups.
- Incentivize startups addressing local socio-economic challenges.

## 7. Conclusion

Madhya Pradesh has made commendable progress in fostering its startup ecosystem, but significant barriers remain in accessing government schemes. Addressing these challenges requires targeted interventions, particularly in awareness, funding, and incubation. By leveraging best practices from states like Karnataka and Gujarat while tailoring solutions to its unique demographic context, MP can enhance its startup ecosystem and drive sustainable economic growth.

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