



# FROM TRADITION TO ENTERPRISE: HOW STARTUP INDIA AND MSMES SUPPORT INDIAN KNOWLEDGE SYSTEMS–BASED BUSINESSES

**Ms.M.R.Merudhu Subhasini &**

Assistant Professor

&

**A.Dharshana**

III-B.Com(BA),

Department of Commerce (Business Analytics)

Vellalar College for Women(Autonomous), Erode.

## ABSTRACT

Indian Knowledge Systems (IKS) represent a vast body of indigenous wisdom developed over centuries through cultural practices, ecological interaction, and community experience. These systems, covering areas such as traditional medicine, handloom, handicrafts, indigenous agriculture, wellness traditions, and artisanal skills, form an integral part of India's socio-economic fabric. In the contemporary development context, IKS is increasingly viewed not only as cultural heritage but also as a foundation for sustainable and inclusive entrepreneurship. Government initiatives such as Startup India and the Micro, Small and Medium Enterprises (MSME) development framework have created institutional pathways for transforming traditional knowledge into viable business ventures. This paper examines the role of these initiatives in supporting IKS-based enterprises through financial inclusion, capacity building, digital integration, and market expansion. The study also evaluates socio-economic and environmental impacts, highlights existing constraints, and suggests policy measures to strengthen the entrepreneurial ecosystem for traditional knowledge-based businesses.

**Keywords:** Indian Knowledge Systems, Startup India, MSMEs, Traditional Knowledge, Sustainable Entrepreneurship, Inclusive Growth

## INTRODUCTION

India's development trajectory has historically been shaped by locally rooted knowledge systems that evolved in close interaction with nature, society, and culture. Indian Knowledge Systems (IKS) encompass a wide range of practices including Ayurveda, Siddha and Unani medicine, yoga, handloom weaving, handicrafts, indigenous agricultural methods, water management techniques, and folk arts. These systems were traditionally embedded within local economies and sustained livelihoods across generations. With the advent of industrialization and globalization, traditional knowledge practices gradually lost economic prominence. Mass production, standardized goods, and centralized markets marginalized artisan communities and informal producers. As a result, many traditional occupations faced declining incomes, loss of skills, and reduced social recognition. However, in recent years, global concerns related to sustainability, climate change, ethical consumption, and wellness have renewed interest in traditional knowledge-based products and services. Recognizing this shift, the Government of India has introduced policy initiatives aimed at integrating traditional knowledge holders into the formal economic and entrepreneurial framework. Startup India and MSME development programs represent a strategic effort to re-position traditional knowledge as a source of innovation, employment, and sustainable growth. This paper explores how these initiatives enable the transition from tradition-based practices to enterprise-driven models while preserving cultural integrity.

## **IKS: CONCEPT AND CONTEMPORARY RELEVANCE**

Indian Knowledge Systems are holistic and integrative in nature. Unlike modern scientific knowledge, which is often fragmented into disciplines, IKS emphasizes interconnectedness between health, environment, society, and ethics. Knowledge is transmitted through practice, oral traditions, and community engagement rather than formal institutional structures.

In the contemporary economy, IKS has gained relevance due to its alignment with sustainable development principles. Products and services derived from traditional knowledge—such as herbal medicines, organic foods, natural textiles, and wellness therapies—are increasingly valued for their ecological sensitivity and cultural authenticity. These sectors demonstrate strong market potential, both domestically and internationally.

Despite this potential, traditional knowledge holders often lack access to finance, technology, marketing platforms, and institutional support. Therefore, policy intervention becomes essential to convert cultural knowledge into economically viable enterprises without compromising its original values.

## **ENTREPRENEURSHIP AND INNOVATION IN IKS-BASED ENTERPRISES**

Entrepreneurship rooted in Indian Knowledge Systems differs significantly from technology-intensive startups. Innovation in IKS-based enterprises is largely incremental and adaptive. It involves improving processes, enhancing quality, developing branding strategies, and aligning traditional products with contemporary consumer preferences.

IKS-based enterprises often operate within community networks and prioritize collective welfare. Profit generation is balanced with social responsibility, environmental care, and cultural preservation. Such enterprises closely resemble social and sustainable entrepreneurship models, where success is measured not only by financial performance but also by social and ecological impact. Policy frameworks that recognize these unique characteristics are better positioned to support IKS-based entrepreneurs. Startup India and MSME initiatives attempt to address this need by adopting inclusive definitions of innovation and enterprise.

## **STARTUP INDIA AND TRADITIONAL KNOWLEDGE-DRIVEN STARTUPS**

Startup India, launched in 2016, aims to create a supportive ecosystem for entrepreneurship across diverse sectors. While initially associated with technology startups, the initiative has gradually expanded its scope to include non-technology and heritage-based enterprises. Traditional knowledge-based startups benefit from Startup India in several ways. Simplified registration procedures and regulatory exemptions encourage informal entrepreneurs to formalize their businesses. Tax incentives and funding opportunities reduce early-stage financial stress, while incubation and mentorship programs enhance managerial and technical capabilities. In sectors such as Ayurveda-based wellness products, natural cosmetics, traditional food processing, and cultural tourism, Startup India has enabled entrepreneurs to combine indigenous knowledge with modern business models. The initiative thus serves as a platform for translating traditional wisdom into contemporary enterprise formats.

## **MSMEs AS THE BACKBONE OF TRADITIONAL KNOWLEDGE ENTERPRISES**

Micro, Small and Medium Enterprises (MSMEs) play a critical role in sustaining traditional livelihoods in India. A large proportion of artisans, weavers, craftsmen, and traditional producers operate as micro or small enterprises. These enterprises are often family-based, community-oriented, and region-specific. Government support for MSMEs includes access to credit, technology upgradation, skill development, marketing assistance, and cluster-based development. Cluster Development Programs are particularly significant for traditional sectors, as they promote shared infrastructure, collective branding, and peer learning. By strengthening MSMEs, the government indirectly supports the survival and growth of Indian Knowledge Systems. MSME policies provide the institutional foundation required for scaling traditional enterprises while maintaining their local character.

## **FINANCIAL INCLUSION AND CAPACITY BUILDING**

Access to finance remains one of the most persistent challenges for IKS-based entrepreneurs. Traditional producers often lack formal credit histories and tangible collateral, making it difficult to secure loans from conventional financial institutions. Startup India and MSME schemes address this issue through priority sector lending, credit guarantee mechanisms, and capital subsidy programs. These measures reduce risk for lenders and improve credit access for traditional entrepreneurs. In addition to financial support, capacity-building initiatives play a vital role. Training programs focusing on business management, quality control,

packaging, compliance standards, and entrepreneurship skills enhance the competitiveness of traditional enterprises. Such interventions enable knowledge holders to navigate modern markets more effectively.

## **DIGITAL INTEGRATION AND MARKET EXPANSION**

Digital transformation has emerged as a powerful enabler for traditional knowledge-based enterprises. E-commerce platforms, digital payment systems, and online marketplaces allow artisans and producers to reach customers beyond local markets. Digital storytelling and branding help convey the cultural significance and authenticity of traditional products, creating emotional value for consumers. Government-supported initiatives promoting digital literacy among MSMEs further facilitate this transition. Geographical Indication (GI) tagging and digital traceability tools protect traditional products from imitation and misappropriation while enhancing consumer trust. Digital integration thus bridges the gap between local knowledge and global markets.

## **SOCIO-ECONOMIC IMPACT OF IKS-BASED ENTREPRENEURSHIP**

The promotion of IKS-based enterprises generates significant socio-economic benefits. These enterprises create employment opportunities in rural and semi-urban regions, reducing dependence on agriculture and mitigating rural-to-urban migration. Women play a central role in many traditional sectors, including handloom, handicrafts, food processing, and herbal medicine. Supporting IKS-based enterprises therefore contributes to women's economic empowerment and social inclusion. By integrating traditional livelihoods into the formal economy, Startup India and MSME initiatives strengthen local economies and promote balanced regional development. The multiplier effects of such enterprises extend beyond income generation to social cohesion and cultural continuity.

## **ENVIRONMENTAL SUSTAINABILITY AND TRADITIONAL KNOWLEDGE**

Indian Knowledge Systems are inherently aligned with environmental sustainability. Traditional agricultural practices emphasize biodiversity, soil health, and water conservation. Handloom and handicrafts rely on natural materials and low-energy processes, resulting in smaller ecological footprints compared to industrial manufacturing. Supporting IKS-based enterprises contributes to climate resilience and sustainable resource management. By promoting environmentally responsible production systems, Startup India and MSME policies align economic development with long-term ecological goals.

## **CHALLENGES IN POLICY IMPLEMENTATION**

Despite strong policy intent, several challenges limit the effectiveness of support mechanisms. Awareness of government schemes among traditional practitioners remains low, particularly in remote and marginalized regions. Procedural complexity and documentation requirements discourage participation by informal producers. Quality certification, standardization, and compliance with international regulations pose additional challenges for export-oriented growth. Moreover, rapid commercialization risks diluting cultural authenticity if community participation and ethical safeguards are not ensured. Addressing these issues requires decentralized outreach, simplified procedures, and culturally sensitive governance mechanisms.

## **POLICY RECOMMENDATIONS AND FUTURE SCOPE**

To strengthen the entrepreneurial ecosystem for Indian Knowledge Systems, the following measures are recommended:

1. Establish dedicated incubation centers for traditional knowledge sectors.
2. Develop alternative financing models recognizing social and cultural capital.
3. Expand digital literacy and e-commerce training for artisans.
4. Strengthen intellectual property protection and GI registration.
5. Encourage interdisciplinary research linking IKS with modern innovation systems.

Future research can focus on empirical impact assessment, export performance, and gender outcomes of IKS-based enterprises.

## **CONCLUSION**

The integration of Indian Knowledge Systems into the formal entrepreneurial ecosystem through Startup India and MSME initiatives marks a significant shift in India's development approach. By recognizing traditional knowledge as a source of innovation and enterprise, these policies enable the transformation of heritage-based practices into sustainable business models. Financial support, capacity building, and institutional recognition have helped traditional knowledge holders participate more effectively in the modern economy. IKS-based enterprises contribute substantially to inclusive growth by generating employment in rural and semi-

urban regions, empowering women and marginalized communities, and strengthening local economies. At the same time, these enterprises promote environmentally responsible production systems rooted in ecological balance and resource efficiency. The convergence of economic, social, and environmental objectives positions traditional knowledge-based entrepreneurship as a viable pathway for sustainable development. However, realizing the full potential of IKS-based enterprises requires continued policy refinement and effective implementation. Improving awareness, simplifying procedures, strengthening quality certification, and safeguarding cultural authenticity are essential for long-term success. With sustained institutional support and community participation, Indian Knowledge Systems can emerge as a resilient foundation for entrepreneurship that balances tradition with innovation in a rapidly evolving global economy.

## References

- Government of India. (2016). *Startup India Action Plan*. Ministry of Commerce and Industry.
- ILO. (2018). *Women and Men in the Informal Economy*. International Labour Organization.
- Ministry of MSME. (2023). *Annual Report on Micro, Small and Medium Enterprises*. Government of India.
- NITI Aayog. (2020). *Indian Knowledge Systems: Policy Perspectives*. Government of India.
- OECD. (2020). *Digital Transformation of SMEs*. OECD Publishing.
- Reserve Bank of India. (2022). *Report on Credit Flow to MSMEs*. RBI.
- Schaltegger, S., & Wagner, M. (2011). Sustainable entrepreneurship and sustainability innovation. *Business Strategy and the Environment*, 20(4), 222–237.
- UNESCO. (2019). *Culture and Sustainable Development*. UNESCO.
- UNEP. (2021). *Traditional Knowledge and Sustainability*. United Nations Environment Programme.

