

## Role of Government Financing Schemes on Entrepreneurial Development in India: An Empirical Study

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### Abstract

In this abstract the investigator has summarized the research paper and provides a brief overview of the main points, methodology, results, and conclusions of the work and help readers to quickly understand grasp the essential aspects without having to read the entire document. Clear and straightforward language is used avoiding highly technical terms that may not be familiar to a broader audience. As India strives for economic growth and job creation, understanding the nuances of implementing government financial schemes for entrepreneurial activities have paramount importance. Government schemes in any nation foster the entrepreneurial activities which in turn help in the generation of various employment opportunities, alleviate poverty, enhance technology, innovativeness as well as work towards improving the financial inclusivity. Diverse financial initiatives include facilities such as credit, subsidies, incentives etc. which not only provide adequate capital support for the start-ups but also guarantee an understanding and nurturing ecosystem for the business landscape. The positive attitude of the government towards entrepreneurial activities further helps in developing entrepreneur's perception towards innovativeness which automatically improves the participation of diverse sections of society in such ventures. However, there are several unique challenges in association with bureaucracy, funds, capital etc. that hinders the smooth functioning of the entrepreneurial sectors of the nation. By conducting research and thoroughly analyzing the multifaceted nature of the role of government in entrepreneurship sector help provide valuable insights for developing an effective government intervention in these arenas which in turn help in the advancement of a sustainable entrepreneurial ecosystem. Study survey was conducted among 283 entrepreneurs to know the factors that show different role of government financing schemes on entrepreneurial development in India and found that Access to Capital, Promotion of Innovation, Skill Development and Training and Sector-Specific Support are different factors that shows different role of government financing schemes on entrepreneurial development.

**Keywords**-Government, Role, Entrepreneurial, Development, Financing, Entrepreneurship, India, Development, Innovative

### Introduction

In this opening section of the research paper whose primary purpose is to provide readers with essential background information, context, and a clear statement of the research problem or question, the researcher presents a well-crafted introduction that grabs the reader's attention and provide a rationale for the study and outline the structure of the paper. Entrepreneurial development emerges as one of the key solutions for any nations in ensuring sustainable economic growth and enhanced employment opportunities. In a country like India, that look forward to creating more job possibilities as well as aim in alleviating poverty and develop economy of the nation, advancing entrepreneurial sectors depict paramount importance. Recognizing this significance of entrepreneurship sector in enhancing the overall dynamics of economy of a nation, Indian government has been initiating several financial schemes and policies that provide necessary support to both small and large-scale enterprises in conducting their business. These varieties of financial initiatives implemented by the government have undoubtedly catalyzed entrepreneurial activities of the country, fostering inclusivity among different sections of society and thereby ensuring economic capacity building of the poor and marginalized. The recent surge in entrepreneurial activities facilitated by such policies has further helped accelerate the growth of India in the global economy.

Government financial schemes provide various facilities such as subsidies, credit guarantee programs, incentives etc. which aim in alleviating financial difficulties of the entrepreneurs by providing them adequate capital necessary for the conduct of their business. These schemes not only help handle the financial constraints of entrepreneurs but also work towards changing the entrepreneurial perception and behaviour in regard to government support towards such activities. The positive attitude of the government to entrepreneurial activities increases the trust and awareness of entrepreneurs which in turn result in creating more job opportunities and sustainable economic growth. Moreover, the financial schemes introduced by the government along with support for research and development activities further encourages the entrepreneurs to adopt to highly advanced and latest technology in their business. In addition, government financial schemes that provide capital and support to small and medium scale enterprises contribute towards the progress of sectors identified as critical for the nation's economic diversification by ensuring financial inclusivity.

Despite the immense impact depicted by government policies in the development of entrepreneurial activities, there are also several unique challenges that arise along with the same particularly in terms of fund, bureaucracy and administration. Understanding these challenges are essential for the policymakers and stakeholders to develop a nurturing environment for various entrepreneurial activities. It is only through extensive research that revolves around key concepts such as access to capital, bureaucratic efficiency, administration, innovation etc. one be able to shape ways of effective intervention that help build a positive ecosystem for the entrepreneurship activities.

### **Literature Review**

This literature review part is a critical and evaluative summary of existing research and scholarly articles relevant to the topic of present study. This literature review serves several purposes such as providing context, identifying gaps in existing knowledge, and establishing the theoretical framework for the study. Researchers tried to present a well-executed literature review to provide a foundation for present research.

Government financing schemes play a crucial role in the development of entrepreneurial activities of any nation by contributing towards the economic diversification of the country, providing adequate access in terms of capital for the conduct and progress of diverse sectors of entrepreneurship. In terms of India, that strives towards employment generation and economic development, understanding the role of government policies and schemes in developing entrepreneurship and business become of paramount importance. The existing literature review in this arena investigates diverse government schemes and policies that help shape the entrepreneurial domain of India by providing resources as well as by developing a facilitating environment for the growth of the same.

The research conducted by Abhyankar (2014) points out how India has not yet been able to fully recognize the entrepreneurial potential of its business landscape irrespective of its tremendous growth in science, technology, skills and education. The research highlights the immense role of government initiatives in improving this scenario among which some of them include the establishment of the National innovation council, Science, Technology and Innovation Policy 2013 etc. which work towards the betterment of sustainable entrepreneurship in the nation. The study conducted by Nagayya and Rao (2017) on the other hand talks in detail regarding the activities implemented by start up India program focusing on the promotion of innovative and entrepreneurial sectors by facilitating the collaboration of the same with higher scientific, educational and financial institutions. Government introduces several financial schemes through financial institutions such as small industries development bank of India which in turn aid in promoting innovative ventures by equipping them with essential capital support.

Goel and Rishi (2012) put forward the necessity for a trisectoral approach that identifies the complementarities between the government, private sector and citizens, thereby developing a nurturing ecosystem for the promotion of entrepreneurship in order to drive economic growth as well as build economic capacity for the poor. Kumar (2021) discusses in his research the importance of government entrepreneurship development schemes in ensuring equitable policies that specifically favor the growth of various small and medium scale enterprises. Oni and Daniya (2012), in their study, emphasizes how various government policies such as credit guarantee schemes and subsidies help alleviate the financial constraints faced by entrepreneurs in starting their own ventures. Both of these research studies coherently indicate

the pivotal role played by government in upholding diverse small and medium scale enterprises by giving to them the adequate financial support required in running their ventures.

Das (2012), in the research study highlights how various countries propose that entrepreneurship, specifically small-scale enterprises, emerge as the only way to eradicate unemployment among the masses, create more job opportunities as well as uplift the rural of the developing nations. In this situation, in a country like India government have huge role in coordinating entrepreneurial activities in order to financially empower the unemployed poor sections of the society. For instance, government financial schemes that provide subsidies and credit services to farmers-turned-entrepreneurs etc. help enhance productivity, supplement them in earning income and thereby steer the growth of the economy.

Research by Nambiar and Balasubramanian (2020) help analyze how government of India had prioritized the implementation of diverse startup schemes in the nation, aiming at the fostering of entrepreneurial activities. In this initiative, both the central and state government not only specify the importance of providing access to funds but also introduce various policies that encourage private funding for the establishment and success of these enterprises. Imam and Khan (2021) on analyzing the influence of government financial schemes in promoting the entrepreneurial activities of women in India highlights the positive correlation between capital support and increased inclusion of diverse sections of society into entrepreneurship.

Jindal and Bhardwaj (2016) further discuss how government take initiatives to reform policies that focus more towards promoting the adoption of innovative technologies in entrepreneurship. By establishing these kinds of reforms that give financial incentives to entrepreneurs along with support for more research and development activities steer the growth of a technologically driven entrepreneurial landscape.

Sharma and Ritu (2021) talk about the increasing role of government in building and nurturing the entrepreneurship ecosystem of the nation by raising the funding for such activities. This positive attitude taken by the government towards such entrepreneurial activities automatically enhances entrepreneur's perception and behaviour, increasing their trust and awareness. This increased trust and awareness further enhances their participation and inclusivity which in turn contributes towards the progress of diverse entrepreneurship sectors in the nation. Prakash, Jain and Chauhan (2015), in their study exemplifies how the support from the government can increase the entrepreneurial intensity in terms of degree and frequency, facilitating the growth of the business landscape.

The existing literature review on the arena of role of government financial schemes in developing entrepreneurship indicate the unavoidable role of government in supporting the growth of small- and large-scale enterprises. However, apart from the fact that government schemes in favor of entrepreneurial activities help advance innovativeness, the sector also undergo various challenges where these enterprises face bureaucratic hurdles in accessing the funds that have been granted to them. It is significant to understand the multifaceted nature of the role of government in promoting entrepreneurship in order to develop better ways to design effective and inclusive interventions.

### **Objective**

Objective of present study refers to a clear and specific goal that the author aims to achieve.

To find the factors that shows different role of government financing schemes on entrepreneurial development in India.

### **Methodology**

A systematic and detailed description of the procedures and techniques used to conduct the present research is presented in this section. It outlines the overall approach and methods employed to collect, analyze, and interpret data. This methodology section is a critical component of research papers that includes necessary information to evaluate the reliability and validity of the study. Study survey was conducted among 283 entrepreneurs to know the factors that show different role of government financing schemes on entrepreneurial development in India. "Purposive sampling method".

Only the entrepreneurs were chosen to fill the questionnaire. Firstly, they are pre-approached through phone/ social media; then, after their primary acceptance they were sent the questionnaire through google forms. The “Factor Analysis” was used to collect and analyze the data.

**Findings**

This findings section presents the results of the study where the reports on the outcomes of the data analysis in relation to the research questions and hypotheses are shown. The section is clear, concise, and directly related to the objectives of the study.

Table below is sharing respondent’s general details. Total 283 entrepreneurs were surveyed in which male are 57.3% and 41.7% are female. Among them 29.7% are below 32 years of age, 36.4% are between 32-36 years of age and rest 33.9% are above 36 years of age. 25.1% of the respondents are in small business, 32.9% are in scalable start-up, 24.4% in innovative entrepreneurship and rest 17.7% are in other kinds of entrepreneurship.

**Table 1 General Details**

Variables	Respondents	Percentage
<b>Gender</b>		
Male	162	57.3
Female	118	41.7
<b>Total</b>	<b>283</b>	<b>100</b>
<b>Age (years)</b>		
Below 32	84	29.7
32-36	103	36.4
Above 36	96	33.9
<b>Total</b>	<b>283</b>	<b>100</b>
<b>Kind of entrepreneurs</b>		
Small business	71	25.1
Scalable start-up	93	32.9
Innovative entrepreneurship	69	24.4
Others	50	17.7
<b>Total</b>	<b>283</b>	<b>100</b>

**Table 2 “KMO and Bartlett's Test”**

“Kaiser-Meyer-Olkin Measure of Sampling Adequacy”	.902	
“Bartlett's Test of Sphericity”	Approx. Chi-Square	4838.870
	df	190
	Sig.	.000

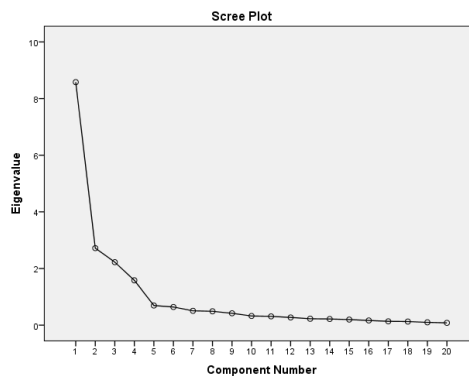
In the table above KMO value is 0.902 and the “Barlett’s Test of Sphericity” is significant.

**“Table 3 Total Variance Explained”**

“Component”	“Initial Eigen values”			“Rotation Sums of Squared Loadings”		
	“Total”	“% of Variance”	“Cumulative %”	“Total”	“% of Variance”	“Cumulative %”
1	8.579	42.897	42.897	4.200	<b>21.001</b>	21.001
2	2.720	13.601	56.498	4.044	<b>20.219</b>	41.221
3	2.223	11.116	67.614	3.463	<b>17.313</b>	58.533
4	1.582	7.912	75.525	3.398	<b>16.992</b>	<b>75.525</b>

5	.692	3.461	78.986		
6	.641	3.204	82.190		
7	.505	2.527	84.717		
8	.488	2.441	87.158		
9	.418	2.090	89.249		
10	.324	1.618	90.867		
11	.310	1.552	92.419		
12	.271	1.354	93.772		
13	.226	1.130	94.902		
14	.217	1.085	95.987		
15	.197	.984	96.971		
16	.165	.827	97.799		
17	.134	.670	98.468		
18	.127	.634	99.102		
19	.099	.494	99.596		
20	.081	.404	100.000		

The “principal component analysis” method was applied to extract the factors and it was found that 20 variables form 4 Factors. The factors explained the variance of 21.001%, 20.219%, 17.313% and 16.992% respectively. The total variance explained is 75.525%.



The graph above depicts the Eigen values generated from the "Total Variance Explained table" for an elbow with 4 components.

“Table 4 Rotated Component Matrix”

“S. No.”	“Statements”	“Factor Loading”	“Factor Reliability”
	<b>Access to Capital</b>		<b>.954</b>
1	Government financing schemes provide loans, grants, and subsidies	.857	
2	Aim to provide financial support to startups and small businesses	.849	
3	Enables entrepreneurs to invest in their ventures, purchase equipment, hire skilled labor, and expand their operations	.839	
4	Lowers interest rates allows o allocate resources more efficiently	.830	
5	Some government initiatives include credit guarantee schemes to mitigate the perceived risks	.772	
	<b>Promotion of Innovation</b>		<b>.928</b>
6	Government schemes focus on promoting innovation and research and development	.890	

7	Government encourages entrepreneurs to explore new ideas and technologies	.882	
8	Government-sponsored technology incubators and innovation centers offer financial support & infrastructure	.865	
9	Offer financial support for entrepreneurs to obtain patents for their innovative products or processes	.862	
10	Provide funds to support the commercialization of innovative technologies	.746	
	<b>Skill Development and Training</b>		<b>.884</b>
11	Government financing programs include components for skill development and training	.868	
12	Invest in the education and training of entrepreneurs	.841	
13	Government aims to enhance capabilities, making them more competitive and better equipped	.828	
14	Help to build skilled and knowledgeable for success and sustainability of entrepreneurial ventures	.726	
15	Support workshops and skill enhancement programs that focus on specific aspects of entrepreneurship	.679	
	<b>Sector-Specific Support</b>		<b>.875</b>
16	Government financing schemes tailored to specific sectors like technology, agriculture, or manufacturing	.855	
17	Helps to address the unique challenges faced by entrepreneurs in different industries	.827	
18	Government financing schemes ensures that the support provided is relevant and effective	.788	
19	Address the diverse needs of entrepreneurs across different industries	.737	
20	To support specific sectors, government financing initiatives focus on infrastructure development	.652	

Access to Capital is the first factor which includes the variables like Government financing schemes provide loans, grants, and subsidies, Aim to provide financial support to startups and small businesses, Enables entrepreneurs to invest in their ventures, purchase equipment, hire skilled labor, and expand their operations, Lowers interest rates allows o allocate resources more efficiently and Some government initiatives include credit guarantee schemes to mitigate the perceived risks. Next factor is Promotion of Innovation and its associated variables are Government schemes focus on promoting innovation and research and development, Government encourages entrepreneurs to explore new ideas and technologies, Government-sponsored technology incubators and innovation centers offer financial support & infrastructure, offer financial support for entrepreneurs to obtain patents for their innovative products or processes and Provide funds to support the commercialization of innovative technologies. Another factor is Skill Development and Training which includes the factor like Government financing programs include components for skill development and training, Invest in the education and training of entrepreneurs, Government aims to enhance capabilities, making them more competitive and better equipped, Help to build skilled and knowledgeable for success and sustainability of entrepreneurial ventures and Support workshops and skill enhancement programs that focus on specific aspects of entrepreneurship. Sector-Specific Support is fourth factor which includes the variables like Government financing schemes tailored to specific sectors like technology, agriculture, or manufacturing, helps to address the unique challenges faced by entrepreneurs in different industries, Government financing schemes ensures that the support provided is relevant and effective, Address the diverse needs of entrepreneurs across different industries and To support specific sectors, government financing initiatives focus on infrastructure development.

**“Table 5 Reliability Statistics”**

“Cronbach's Alpha”	“N of Items”
.924	20

The reliability for 4 constructs with total of twenty elements is 0.924.

### **Conclusion**

This final section of the research paper is a very important component and summarized the key findings which had also suggested directions for future research. This well-crafted conclusion had not only summarized the study but also provides a sense of closure and leaves the reader with a clear understanding of the study's contributions and implications. The fact that effective intervention and financial support of government in entrepreneurial activities depict a positive correlation with the advancement of such enterprises evidently portray the significant role of government schemes in developing the entrepreneurship sector. Diverse government schemes demonstrate a huge positive impact on the economy of the nation, particularly in sectors crucial for economic diversification. In pursuit of adequate capital, innovativeness and technology adoption, financial schemes by government support the budding enterprises nurturing their growth and thereby contributing to their persistent success. However, despite the significant role of these schemes in ensuring adequate capital to the entrepreneurs, there exists several bureaucratic hurdles that create difficult situations for the entrepreneurs to access these funds. As India moves forward with the aim of creating more employment opportunities as well as developing the economy of the nation, providing valuable insights for the government and policymakers to develop policies that conduct an effective intervention and support become of paramount importance. By conducting extensive research and analysis in the arena help identify challenges that restrict the growth of entrepreneurship, help refine government policies and contribute towards ensuring a conducive ecosystem for sustainable entrepreneurship in India. The study was conducted to know the factors that shows different role of government financing schemes on entrepreneurial development in India and found that Access to Capital, Promotion of Innovation, Skill Development and Training and Sector-Specific Support are different factors that shows different role of government financing schemes on entrepreneurial development.

### **Scope of Future Research**

The study addresses a crucial and dynamic area of research and understanding the future scope of this study it involves various factors that influence entrepreneurial development and government financing schemes such as Policy Impact Assessment which evaluate the long-term impact of government financing schemes on entrepreneurial ecosystems and assess how these policies have evolved over time and their effectiveness in fostering entrepreneurship. In addition, it will be good to compare the outcomes of different government financing schemes to identify best practices and areas for improvement and analyze how various states in India implement and benefit from these schemes. Study may be conducted to investigate how government financing influences the adoption of innovative technologies by entrepreneurs and explore the role of these schemes in promoting technology-driven startups and industries. The role of government financing may be examined in promoting social entrepreneurship and its impact on addressing societal challenges and evaluate the effectiveness of schemes in supporting businesses with a social impact. By investigating into these areas, the study can contribute to a comprehensive understanding of the relationship between government financing schemes and entrepreneurial development in India, providing valuable insights for policymakers, researchers, and entrepreneurs.

### **Limitations of the study**

Every research study has its limitations, and it's essential to acknowledge them to ensure transparency and maintain the credibility of the findings. Some potential limitations of present study are the study may focus on specific regions or sectors within India, limiting the generalizability of findings to the entire country. The effectiveness of government financing schemes may vary across different states and industries. Limited access to accurate and up-to-date data on government financing schemes and entrepreneurial activities may impact the study's reliability. Data gaps or inaccuracies can constrain the depth of the analysis. Government policies are subject to change, and new financing schemes may be introduced, or existing ones modified during the study.

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