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IMPACT OF CENTRAL POLICY ON REGIONAL ENTREPRENEURSHIP: A CASE STUDY OF THE START-UP INDIA INITIATIVE IN KAYLANA KARNATAKA

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This study investigates the efficacy of the Startup India Initiative (SII) in fostering entrepreneurial growth within the underdeveloped Kalyana Karnataka region. While central government policies are critical for stimulating nascent ecosystems, their effectiveness often hinges on regional implementation and structural financial readiness. Employing a mixed-methods approach focusing on awareness, utilization rates, and implementation challenges among 300 registered start-ups and examining official Stand Up India Scheme (SUIS) data, the research yields a nuanced finding: the SII has achieved significant administrative success in regulatory simplification and promoting awareness of non-financial benefits. However, a persistent financial conversion gap is driven by low institutional capacity at the local level and severe geographical risk aversion from external venture capital. Conversely, the related SUIS demonstrate remarkable success in mandated financial inclusion for women and reserved categories. The paper concludes that for central policies to achieve scaled, equitable regional development, they must be augmented by targeted institutional training and regional co-investment mechanisms designed to de-risk private capital.

KEYWORDS: ***Start-ups, Stand Ups, Financial inclusion, Financial Conversions, Barriers***

1. INTRODUCTION

The creation of robust entrepreneurial ecosystems is globally recognized as a critical driver of innovation, job creation, and economic decentralization. In India, the Startup India Initiative (SII), launched in 2016, represents a large-scale government intervention aimed at fostering a culture of innovation nationwide. While the initiative has yielded notable results in Tier-1 cities, its impact on emerging regional ecosystems, such as the Kalyana Karnataka region, requires specific examination.

Kalyana Karnataka, comprising seven districts, presents a challenging environment characterized by lower infrastructure density, limited access to established funding networks, and historical socio-economic underdevelopment. This paper addresses two primary research questions:

1. What is the extent of the **policy-practice gap** in terms of awareness and utilization of the SII's core benefits within Kalyana Karnataka?
2. How effective are **mandated inclusion schemes** (specifically Stand Up India) in channeling capital to women and socio-economically disadvantaged entrepreneurs in the region?

2. METHODOLOGY

This analytical study adopted a mixed-methods approach drawing primary data from a survey of **300 registered startups** across the Kalyana Karnataka region, supplemented by secondary data from government sources.

2.1 Data Collection and Analysis

- **Primary Data:** A structured questionnaire was administered to startup founders, measuring awareness levels (on a binary scale), perceived implementation barriers (using a 5-point Likert scale to derive Weighted Average Scores - WAS), and the correlation between demographic factors (Gender, Education) and scheme utilization.
- **Secondary Data:** Official government records related to the Stand Up India Scheme (SUIS) disbursements as of March 21, 2022, were analyzed to assess financial inclusion efficacy for SC, ST, and Women entrepreneurs.
- **Statistical Tools:** Descriptive statistics, Chi-square tests for association, and correlation analysis were employed to validate the hypotheses regarding implementation challenges and growth impacts.

3. RESULTS AND DISCUSSION

3.1 The Implementation and Awareness Gap

The research confirms a critical disparity between policy intent and regional execution, rooted in institutional and bureaucratic inertia.

3.1.1 Policy Awareness Bifurcation

Founders displayed **high awareness** (>75%) for administrative benefits like **Simplified Compliance/Self-Certification** and **Tax Exemptions**, indicating the success of the policy's core marketing message. Conversely, awareness of complex financial schemes, particularly the **Fund of Funds (FoF)** and **Seed Fund Scheme**, remained **significantly low** (below 30%).

3.1.2 Top Implementation Barriers

The analysis of implementation challenges revealed that the failure to utilize schemes is not primarily due to policy features, but regional delivery mechanisms. The top three barriers, ranked by Weighted Average Score (WAS), are:

Rank	Implementation Challenge	Weighted Average Score (WAS)
1	Bureaucratic Complexity in Documentation	4.45
2	Lack of Awareness among Local Bank Officials	4.12
3	Physical Distance to Incubation/Support Centers	3.98

Source: Field Survey

The high WAS for the first two barriers clearly demonstrates a **critical deficit in institutional capacity** at the local level, frustrating the efforts of entrepreneurs trying to access vital capital and support.

3.2 Success of Targeted Financial Inclusion via Stand Up India

The analysis of the Stand Up India Scheme (SUIS) data provides a contrasting success story in mandated financial inclusion. The scheme targets credit delivery to SC, ST, and Women entrepreneurs for green field enterprises.

The official data as on March 21, 2022, for the scheme's accounts and sanctions is presented below (Amount in ₹ Crore):

	No. of Accounts (A/Cs)	Sanctioned Amount (Amt.)	Average Sanction per A/C (₹ Lakh)
SC	22,098	4,286	19.39
ST	9,737	1,852	19.02
Women	10,140 (approx. 50%)	19,573	19.30
Total	**1,33,303**	**25,711**	**19.30**

Source: RTI information from DPIIT

The data confirms the following:

- **Gender Balance:** Women entrepreneurs secured the largest number of accounts, demonstrating the success of the mandatory lending quota in achieving **gender parity** in access to credit.
- **Equity in Disbursement:** The average sanctioned amount is remarkably consistent across all three target groups (approx. ₹19.3 Lakh). This indicates that the scheme successfully ensures **equitable distribution of capital** by neutralizing biases often found in discretionary private lending.

This success underscores that where the policy sets clear, measurable, and mandatory targets (as in SUIS), it overcomes regional inertia and achieves intended inclusion goals effectively.

3.3 The Financial Conversion Gap

Despite administrative success and strong founder preparation (e.g., high financial literacy), the study identified a pervasive **financial conversion gap**. Startups in Kalyana Karnataka, even those with significant job growth ($\chi^2=15.68, p < 0.001$), struggle to convert investor interest from pitch events into final secured Angel/VC funding. This is attributed not to founder quality, but to the **structural deficit of private capital density** and the **geographic risk aversion** prevalent among investors based in larger metro cities. The policy has succeeded in creating "investment-ready" founders, but not a "capital-ready" region.

4. CONCLUSION AND POLICY IMPLICATIONS

The Startup India Initiative in Kalyana Karnataka is a case study of **bifurcated policy impact**. The initiative has been effective in achieving regulatory simplification and fostering non-financial growth (job creation, new product launches). However, its long-term objective of catalyzing a self-sustaining ecosystem remains limited by two key factors:

1. **Local Institutional Failure:** The complexity of documentation and the lack of awareness among local bank officials (Rank 1 and 2 challenges) act as powerful friction points, preventing founders from accessing complex financial schemes.
2. **Structural Capital Constraint:** The regional financial ecosystem lacks sufficient density to overcome geographic bias, leading to a high rate of failure in converting investment readiness into actual secured funding.

Policy Recommendations

To bridge the gap between policy intent and regional outcomes, the following policy adjustments are recommended:

- **Mandatory Institutional Training:** The government must enforce mandatory, continuous training for all regional bank branch managers on the specifics of all

Startup India financial schemes, making scheme knowledge a performance metric.

- **Establish a Regional Co-Investment Fund (R-CIF):** State governments should establish a dedicated fund (e.g., the Kalyana Karnataka Co-Investment Fund) that co-invests alongside private Angel/VC funds, providing a higher risk-adjusted matching ratio for investments into registered regional startups. This will directly incentivize and de-risk the entry of external private capital.
- **Decentralize Support via Digital Hubs:** Utilize digital infrastructure to establish virtual mentorship platforms and satellite 'hub-and-spoke' incubation centers to overcome the physical distance challenge, ensuring high-quality mentorship is accessible across all districts.

By addressing the institutional capacity deficit and structurally de-risking regional investment, the Startup India Initiative can fulfill its promise of inclusive and sustainable entrepreneurial development in emerging regions like Kalyana Karnataka.

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