



OPEN ACCESS

Volume: 5

Issue: Special 1

Month: May

Year: 2026

ISSN: 2583-7117

Published: 09.05.2026

Citation:

Ragini Singh “The Role of Government Policies in Enhancing Startups Resilience Before and After Covid-19 in India” International Journal of Innovations in Science Engineering and Management, vol. 5, no. S1, 2026, pp. 188-191.

DOI:

10.69968/ijsem.2026v5Si1188-191



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The Role of Government Policies in Enhancing Startups Resilience Before and After Covid-19 in India

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Abstract

The COVID-19 pandemic created unprecedented disruptions for startups in India, exposing vulnerabilities in funding, operations, supply chains, and market demand. In this context, government policies emerged as a critical stabilizing force in enhancing startup resilience. This research paper examines the role of key policy interventions—such as Startup India, this paper investigates the role of Government policies in startups and its influence on startup funding trends in India, with a particular focus on pre- and post-pandemic phases. This paper is based on secondary data and methodology used for this Study are Paired T-test and Trend analysis.

Keywords; Startup Funding, COVID-19, Government policies.

INTRODUCTION

The startup ecosystem in India has emerged as one of the world's fastest-growing innovation landscapes, contributing significantly to employment generation, technological advancement, and economic dynamism. However, startups inherently operate in environments marked by high uncertainty, limited resources, and intense competition, making them particularly vulnerable to external shocks. The outbreak of the COVID-19 pandemic in early 2020 intensified these vulnerabilities, creating severe disruptions in supply chains, capital flows, market demand, and workforce availability. As a result, the concept of *startup resilience*—the ability of new ventures to anticipate, absorb, and recover from crises—gained unprecedented importance.

In this context, government policies have played a pivotal role in shaping the resilience and sustainability of startups. Over the past decade, India has introduced several initiatives such as Startup India, Digital India, Atmanirbhar Bharat Abhiyan, the Emergency Credit Line Guarantee Scheme (ECLGS), SIDBI's Fund of Funds, and various state-level programs to support entrepreneurial growth. While many of these policies existed before the pandemic, the post-Covid period witnessed a substantial strengthening and diversification of policy measures aimed at cushioning startups from crisis-induced shocks. Every nation's startup ecosystem is greatly impacted by government regulations, and India is no exception. To encourage innovation and entrepreneurship, the Indian government has started a number of programs and policies. These laws have reduced regulatory procedures, made it simpler for entrepreneurs to conduct business in India, and given them access to capital and tax breaks. (F Shah and ME Jokhi, 2023). In India, entrepreneurship has expanded considerably, and startups are starting to have a big economic influence. New company registration increased from 15,000 in the 1980s to around 100,000 in the 2010s thanks to robust demographics and an open, commercial culture (A Azam, 2021).

Despite the growing policy emphasis, clear knowledge gap persists regarding how government interventions have influenced startup resilience differently in the pre-Covid and post-Covid phases. The significance of this study lies in its systematic assessment of these policies, offering empirical insights into which measures most effectively enhanced financial stability, operational adaptability, and innovation capability among startups. By addressing this gap, the research not only enriches academic understanding of resilience-building mechanisms but also provides evidence-based recommendations that can guide policymakers, incubators, and entrepreneurs in designing stronger, crisis-resistant support frameworks for India's startup ecosystem.

Literature Review

- **R.Jayanthi (2019)**- Found that the option to self-certify, access to legal support for patent applications, tax incentives for earnings and long-term capital gains, and the availability of incubator facilities in government programs are some of the most prominent advantages. The Indian government has launched a number of initiatives to promote entrepreneurship in the country. The initiatives carried out by numerous organizations, such as the Biotechnology Industry Research Assistance Council and NITI Aayog's Atal Innovation Mission, are included in this framework. Programs like Startup India, Make in India, Stand up India, and Make in India (BIRAC) are also included in this environment.
- **Rajroop Singh Chahal and Abhishek Chahal (2023)** - Found that the Indian entrepreneurs face many challenges, but they are able to flourish because of the government's generous support. In addition to the federal government, a few state governments are fully endorsing the plan's expansion and amending their legal frameworks to promote trade. By November 30, 2022, there will be 84,012 startups registered in the country, up from 452 in 2016, according to latest government statistics. It further claimed that India's startup success rate was far higher than that of other nations. India has the third-largest startup ecosystem, behind the US and China. Stride One, a tech-enabled NBFC, predicted that over the next three to five years, startups' share of India's GDP will rise from 2.5 to 3% to about 4-5%.
- **Venkatanarayana (2016)**, - Overcoming challenges including stringent licensing

requirements, a lack of bank assistance, and the absence of tax advantages for small enterprises are critical to Startup India's success. The article outlines several government programs that can be advantageous to businesses.

Kshetri (2016) - investigates the elements that affect entrepreneurship in SMEs and startups in the Indian context and finds that business growth is hampered by regulatory obstacles in India, including stringent laws and regulations, impending bankruptcy legislation, and burdensome labor constraints. Hindu customs and ideals do not extend a warm welcome to entrepreneurs. The underdevelopment of creative entrepreneurship in the country can also be attributed to a lack of market and accessibility as well as insufficient R&D.

Objectives

- 1 To analyse the difference between pre and post covid-19 in Startups Certificates in India.
- 2 To know the Trends in Credit Guarantee Scheme for Startups in India

Hypothesis

- **H₀**: There is no significant difference between pre and post covid-19 in Startups Certificates in India.
- **H₁**: There is significant difference between pre and post covid-19 in export and import of digitally deliverable services in India.

Data and Methodology

In this study data is collected from Department for Promotion of Industry and Internal Trade (DPIIT) for Startups Certificates given by government from 2016 to 2024 hence, based on secondary data. The paired t-test is used to analyse the impact of covid-19 on Startup certificates on pre and post pandemic. Before applying this test normality of data has been confirmed by the following test.

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Difference	.275	3	.	.943	3	.540

The above table clearly shows that data is normal because p-value is greater than 0.05

RESULTS AND DISCUSSION

To analyse the difference between pre and post covid-19 in Startups Certificate in India.

Table 1 : Mean Comparison on the Startups Certificates Given by the Government of India

Startups Certificates	Mean	SD	t-values	Sig
Pre-Covid	5778	4372.8	-7.32	.018
Post-Covid	22463.66	6740.98		

Authors Calculation Interpretation:

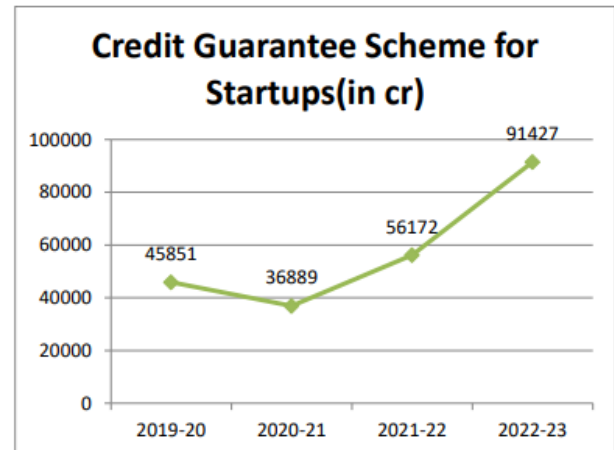
The Paired samples t-test was conducted to evaluate the impact of the COVID-19 pandemic on the number of startup certificates issued, comparing the Pre-Covid (M = 5,778.00, SD = 4,372.80) and Post-Covid (M = 22,463.66, SD = 6,740.98) periods. The analysis revealed a statistically significant difference between the two groups, **t = -7.32, p = .018**. The results indicate a substantial and significant increase in the mean number of startup certificates issued in the post-pandemic period compared to the pre-pandemic baseline. The magnitude of this increase is considerable, with the post-pandemic mean approximately four times larger than the pre-pandemic mean. The negative t-value signifies that the mean of the first group (pre-Covid) is lower than the mean of the second group (post-Covid).

Based on these results, the null hypothesis (H_0), which posits that there is no difference in the number of startup certificates issued before and after the COVID-19 pandemic, is **rejected**. The alternative hypothesis (H_1), which states that a significant difference exists, is **supported**. The obtained p-value of .018 is below the conventional alpha level of .05, providing strong statistical evidence that the observed disparity is unlikely to be due to random chance. This finding suggests that the COVID-19 pandemic served as a significant catalyst, correlating with a marked surge in entrepreneurial activity as measured by the issuance of startup certificates.

Table 2: To know the Trends in Credit Guarantee Scheme for Startups in India

Year	Credit Guarantee Scheme for Startup
2019-20	45851cr

2020-21	36889cr
2021-22	56172cr
2022-23	91427cr



Interpretations:

The period under review commenced with a guarantee outlay of ₹45,851 crore in 2019-20. The subsequent year, 2020-21, registered a notable contraction of 19.55%, with the value declining to ₹36,889 crore. This downturn is contextually consistent with the macroeconomic disruptions induced by the COVID-19 pandemic, which likely precipitated heightened risk aversion and a constriction in credit flow. However, this contraction proved to be transient. The fiscal year 2021-22 marked a pronounced recovery, with the guarantee value surging to ₹ 56,172 crore, representing a substantial year-on-year growth of 52.27%. This rebound signifies a revitalization phase, potentially driven by pent-up entrepreneurial demand and reinforced policy support. The most significant acceleration occurred in 2022-23, where the guarantee amount escalated to ₹91,427 crore, constituting a remarkable year-on-year increase of 62.76%.

The overarching trend, therefore, is characterized by a V-shaped recovery, transitioning into a phase of exponential growth. Over the entire three-year interval from the baseline of 2019-20 to the terminal value in 2022-23, the scheme witnessed a near-doubling of its financial commitment, with a total increase of 99.4%. This pronounced upward trajectory in the latter years indicates a strategic and successful intervention to de-risk lending to startups, thereby fostering a more conducive environment for entrepreneurial finance. The data robustly suggests that

the Credit Guarantee Scheme has evolved into an increasingly pivotal instrument for catalyzing capital access within the Indian startup ecosystem.

CONCLUSION

The empirical findings of this study consistently demonstrate a significant structural uplift in the Indian startup ecosystem in the post-pandemic period. The statistical evidence confirms a substantial increase in startup registrations, effectively rejecting the null hypothesis of no change. This surge in entrepreneurial activity is robustly supported by a parallel, accelerating expansion of government-backed financial risk mitigation, as evidenced by the near-doubling of the Credit Guarantee Scheme's outlay. The convergent trends—a statistically significant rise in the number of new ventures and a coinciding, dramatic increase in credit guarantee support—compellingly indicate that targeted policy interventions have been a critical catalyst. Therefore, it can be concluded that the post-Covid era marks a distinct phase of intensified entrepreneurial growth in India, powerfully

facilitated by strategic fiscal policy designed to de-risk and fuel the startup sector.

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