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A review on unveiling the impact of government policies on Rajasthan's startup ecosystem

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Abstract

This study examines the critical influence of state-led policies on the development and nurturing of the startup ecosystem in Rajasthan, India, underscoring a strategic deployment of initiatives such as the 2015 Rajasthan Startup Policy, the iStart Rajasthan platform, the Bhamashah Techno Fund, and the Digital Rajasthan projects. Aimed at bolstering entrepreneurial ventures through financial backing, regulatory streamlining, incubation support, and digital infrastructure enhancement, these government interventions collectively foster a conducive atmosphere for startups. This investigation reveals the effectiveness of these comprehensive efforts in cultivating an environment that not only stimulates innovation but also ensures startups' access to crucial resources and generates employment opportunities across a spectrum of sectors. The findings of this review paper highlight the indispensable role of policy frameworks in fostering vibrant startup ecosystems and provide deep insights into the interplay between governmental policy initiatives and the growth of entrepreneurial ventures.

Subject Classification: *00A99, 58XX.*

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1. Introduction

As innovators, startups are instrumental in driving technological progress and introducing fresh concepts to the marketplace. This perpetual

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cycle of innovation cultivates a dynamic economic landscape, prompting increased investment in research and development across various sectors [1].

This paper scrutinizes the contemporary startup landscape, pinpointing prevalent challenges like the hurdles in obtaining venture capital, and contrasts these with conventional business models. Additionally, it touches upon the effects of the coronavirus pandemic on funding and strategies to mitigate such impacts in the future, alongside identifying potential market risks and underscoring the importance of marketing research in today's digital era for startup viability [2].

Intriguingly, our findings also suggest that the inherent innovativeness of startups encourages cooperation in low to medium competitive landscapes, yet stimulates rivalry in medium to high competition contexts [3].

The objective is to pinpoint the key policy measures that have played a pivotal role in fostering and expanding the startup scene in the region, identifying successful strategies and areas of policy strength. Moreover, the paper investigates the persisting challenges and obstacles faced by startups in Rajasthan, despite government interventions, underscoring potential discrepancies in policy effectiveness or gaps in execution that could impede the ecosystem's progression.

2. Theoretical Framework: A Literature Review

Governmental policies in startup ecosystem development

Governmental policies play a crucial role in the development and nurturing of startup ecosystems. In this part, we discussed the significance of governmental policies in startup ecosystem development, highlighting key facts and figures to underscore their impact[3].

Governments play a key role in developing human capital through education policies, as well as facilitating the mobility of talent through visa policies. Policies that help startups access domestic and international markets can significantly enhance their growth potential.

Rajasthan Governments' Support and Initiatives for startup environment

The Rajasthan government has launched various initiatives to nurture the startup ecosystem. The "Rajasthan Startup Policy 2015" was a pioneering step, aiming to support over 500 startups and create significant employment opportunities within the next five years (Government of

Rajasthan, 2015). One of the flagship initiatives under this policy is the "iStart Rajasthan platform", which provides startups with resources, mentorship, and funding opportunities (iStart Rajasthan, 2021) [3].

The state has been fostering innovation through various incubation centers and innovation hubs, such as the "Startup Oasis" incubation center, a joint initiative by RIICO (Rajasthan State Industrial Development and Investment Corporation) and CIIE (Centre for Innovation Incubation and Entrepreneurship) at IIM Ahmedabad (Startup Oasis, 2021). These centers offer mentorship, technical support, and resources to budding entrepreneurs [4].

Challenges and Opportunities

While the ecosystem is burgeoning, challenges such as access to funding beyond the seed stage and scaling up remain.

Rajasthan has been proactive in fostering a vibrant startup ecosystem through the implementation of various policies designed to encourage innovation, entrepreneurship, and the growth of startups in the state[5].

Key Startup Policies in Rajasthan: Fostering Innovation and Entrepreneurship

Table 1 explained some key startup, entrepreneurship policies along with their objectives that collectively created a favorable environment for startups in Rajasthan.

Table 1

Rajasthan's some key startup/entrepreneurship policies

Policies	Objectives
Rajasthan Startup Policy 2022	• Make Rajasthan the destination with the most vibrant startup ecosystem in India. • Position Rajasthan as the #1 state of innovation in thrust areas such as agriculture, education, healthcare and fintech. • Encourage startups to develop innovative solutions for solving problems in social focus areas such as healthcare, environment and rural development.[6]
Rajasthan Startup Policy 2015	• To create a strong ecosystem for fostering startups and entrepreneurial spirit in the state. • To develop human capital and mentorship resources by linking educational institutions with the startup ecosystem.[6]

Contd...

Bhamashah Techno Fund	• To support and finance the technology-driven startups and innovations developed within the state. • To provide early-stage funding to startups showing high potential for growth and innovation.[7]
iStart Rajasthan	• To provide a comprehensive platform that offers end-to-end support to startups, from ideation to investment.
Rajasthan Venture Capital Fund	• To provide equity and equity-linked investments to startups and MSMEs with innovative business ideas, primarily within the state of Rajasthan.
Rajasthan MSME (Micro, Small, and Medium Enterprises) Policy 2015	• Though not exclusively for startups, this policy aims to promote entrepreneurship and growth of MSMEs, including startups in the MSME sector.
Digital Rajasthan Policy	• To promote the digital technology sector within Rajasthan, including startups working in IT and digital services. • To establish Rajasthan as a hub for digital innovations and businesses.[8]
Raj Udyog Mitra Portal	• To enhance ease of doing business in the state by providing a user-friendly online platform for all business-related government services. [9]
Chief Minister's Startup Promotion Scheme	• To create an environment that encourages risk-taking among the youth by providing financial security in the form of grants and subsidies. [10]
Rajasthan's Framework for Innovation and Entrepreneurship Development in Higher Education	• To establish incubation and innovation centers in educational institutions, thereby fostering a culture of entrepreneurship among students and faculty. [10]
Rajasthan Content Market Scheme (under Digital Rajasthan Policy)	• To support the growth of the digital content market in the state by providing training, resources, and platforms for content creators and marketers. [11]
Rajasthan DigiFest and Hackathon	• To showcase the technological and entrepreneurial talent in the state by organizing annual tech fests and hackathons.

Contd...

Rajasthan Angel Innovation Network (RAIN)	• To connect startups with angel investors within and outside Rajasthan to facilitate access to angel funding. • To create a network of investors interested in supporting early-stage startups with potential for high growth and innovation. [12]

Rajasthan's startup ecosystem is a vibrant landscape that spans across multiple sectors, explained by Table 2, showcasing innovation and entrepreneurial spirit [12]. In the realm of technology and IT services, startups are revolutionizing the way consumers access information on automobiles and learn new languages through interactive platforms. This diverse array of startups reflects the dynamic and evolving nature of India's startup ecosystem, highlighting the country's potential as a hub for innovation, entrepreneurship, and sustainable development [13].

Table 2

Sector wise startups originated/working in Rajasthan

Sector	Startup	Working Domain
Technology and IT Services	Car Dekho	An automotive sales platform that provides information on cars, including reviews, prices, and comparison tools. [14]
E-commerce and Retail	BluePottery	
	Fabriclore	An online marketplace that curates modern and traditional fabrics from local artisans and designers across India. [14]
FinTech	Finova Capital	Offering business loans and financing solutions to MSMEs in rural and semi-urban areas.[15]
HealthTech	NirogStreet	A technology-driven platform for Ayurvedic doctors, facilitating knowledge sharing, professional support, and supply of Ayurvedic medicines[16].
EdTech	Myly	An educational technology company providing a school management software that enables digital learning and administration.[16]
AgriTech	Freshokartz	Provides agri-products and services to farmers, including inputs, advisory, and market linkages to sell produce.[17]
CleanTech and Renewable Energy	Ray Renewables	Focused on delivering renewable energy solutions, including solar installations for commercial and residential projects.[17]

Contd...

Artisan and Crafts	Rangsutra	A community-owned craft company that ensures sustainable livelihoods for artisans and farmers through the production of handcrafted textiles.
Tourism and Hospitality	Padharo	A marketplace for vehicle rentals, tour packages, and activity bookings in Rajasthan, aiming to enhance the travel experience.

3. Theoretical models, frameworks, and Governmental Policies:

These models and frameworks, such as the Entrepreneurial Ecosystem Framework, the Triple Helix Model, and the National Systems of Innovation (NSI), serve as lenses through which the roles and contributions of different stakeholders can be examined in detail.

3.1 *Theoretical models and frameworks*

Entrepreneurial Ecosystem Framework:

This framework views the startup ecosystem as a set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organizations (e.g., firms, venture capitalists, business angels, banks), institutions (universities, public sector institutions, financial bodies), and entrepreneurial processes (the business life cycle, support services, funding dynamics).

Innovation Systems: This framework encompasses National Innovation Systems (NIS), Regional Innovation Systems (RIS), and Sectoral Innovation Systems (SIS). Government policies are seen as critical in shaping these systems, through regulation, funding, and support structures[91].

Triple Helix Model: This model emphasizes that the government is crucial in creating a conducive environment for collaboration between academia and industry, which in turn, fosters innovation and supports the growth of startups.

Porter's Diamond Model: The model considers four broad attributes (factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry) that are influenced by chance and government intervention.

Open Innovation: Government policies can support open innovation through IP regulations, collaboration platforms, and funding for R&D activities[99].

The Lean Startup Methodology: While not a theoretical model in the traditional sense, the principles of the Lean Startup (build-measure-learn feedback loop, minimum viable product, etc.) have influenced how ecosystems support startups.

These theoretical models and frameworks offer a comprehensive lens for examining the multifaceted relationships between government policies and startup ecosystems, underscoring the pivotal role of policy in either enabling or constraining the development of vibrant, innovative, and sustainable startup ecosystems.

3.2 *Governmental Policies in Rajasthan*

Key initiatives, including the introduction of the Rajasthan Startup Policy in 2015, the launch of the iStart Rajasthan platform, and the creation of the Bhamashah Techno Fund, have been instrumental in establishing a comprehensive support framework for emerging businesses. Table 3 provided below states analysis of policies, objectives, and year of implementation with explanation of examples.

Table 3

Analysis of policies, objectives, and year of implementation.

Policy	Launched	Significance	Example
Rajasthan Startup Policy 2015	2015	Pioneering policy fostering startup ecosystem, aimed to support 500+ startups and job creation.	• Established “iStart Rajasthan” platform offering resources, mentorship, and funding.
Rajasthan Startup Policy 2022	2022	Comprehensive support across stages, expanded benefits, and increased focus on specific sectors.	• Introduced Viability Grants, Performance Boosters, Startup Fund, and relaxed procurement norms. • Focused on sectors like agritech, healthcare, and renewable energy.
MSME Growth Scheme (2023)	2023	Targets established businesses with innovative products/ services, offering financial assistance and market access.	• Grants and support for upgrading production facilities and participating in trade fairs.

Contd...

Rajasthan Angel Network (RAN) (2022)	2022	Bridges funding gap for early-stage startups by connecting them with angel investors.	• Facilitates investment matchmaking and due diligence processes.
Rajasthan Innovation Fund (RIF) (2021)	2021	Invests in high-potential startups across sectors, providing capital for scaling up.	• Invests in startups addressing social and environmental challenges, as well as technology-driven ventures.
Startup Oasis (2016)	2016	Incubation center offering mentorship, workspace, and resources to promising startups.	• Supports startups across various stages and sectors through workshops, networking events, and industry connections.
Focus on Tier-2 & Tier-3 Cities	Ongoing	Decentralizes the ecosystem by creating infrastructure, incubation centers, and support programs in smaller cities.	• Government funding for co-working spaces and skill development initiatives in Tier-2/3 cities.
Startup School Program (2022)	2022	Provides training and workshops for aspiring entrepreneurs, fostering future startup creation.	• Equips individuals with essential entrepreneurial skills and knowledge.
Relaxed Regulatory Environment	Ongoing	Simplifies business registration, approvals, and compliance, reducing bureaucratic hurdles.	• Online processes for licenses and permits, minimizing time and effort for startups.

4. Conclusion

Initiatives such as the Rajasthan Startup Policy, iStart Rajasthan, the Bhamashah Techno Fund, and Digital Rajasthan initiatives collectively demonstrate the state's commitment to nurturing entrepreneurship, simplifying regulatory processes, and enhancing digital infrastructure. Through these efforts, Rajasthan exemplifies how targeted governmental policies can effectively stimulate economic growth, job creation, and technological advancement within the startup landscape.

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