IMPACT OF GOVERNMENT INITIATIVES ON FUNDING FOR STUDENT START-UPS IN NASHIK

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Abstract
Government Response on Financing Student-Based Companies in Nashik. Objective: The research aims to analyse what is working with different government programmes based on Start-up India, Stand-up India, and MUDRA Yojana on the accessibility of capital for students who are entrepreneurs in Nashik, Maharashtra. As Nashik moves into a significant Tier-2 innovation hub, this research will look for the disconnect between policy design and ground-level implementation. Methodology: The research uses a descriptive and analytical design. Primary data was retrieved from 30 student entrepreneurs in Nashik using a 5-point Likert scale survey. Secondary data was collected from government reports and academic literature to inform the readers about regional innovation systems and the context of institutional incubators. Results: Although the awareness of flagship schemes such as Start-up India is quite high (76%), conversion to funding is still moderate (36%). A key finding is the "Process-Execution Gap": 52% of respondents cited bureaucracy and over-documentation as most important barriers; 86% said the lack of collateral was the number one reason for loan rejection at local banks. The study also underscores a digital divide, as 48% of students currently turn to social media for information, whereas university portals, designed as hubs, add only 24%. Implications: Though government policies have created positive change in entrepreneurial mentality, the "Valley of Death" for student start-ups remains if the criteria for entry is fixed and there is still local administrative resistance. Recommendations include supporting more local funding through district-specific "Scheme Navigators", making applications more accessible on a friendlier digital approach, and introducing compulsory 'Funding Literacy' workshops into the Nashik higher education curriculum.

***Keywords**: Student Entrepreneurship, Start-up Funding, Government Initiatives, Nashik Start-up Ecosystem, Incubation Support.*

1.Introduction

Nashik has very quickly become a hotspot of entrepreneurship in Maharashtra with the advantage of being strategically located and having a sound educational infrastructure. There is no shortage of entrepreneurship, this is largely because the demographic clusters in Nashik are well connected to entrepreneurship hubs. Through institutions like the University of Pune's Nashik campus and also many engineering and management colleges, the city provides a rich culture of innovation as a result. Recognizing this vision, the Government of India and State Government of Maharashtra have launched a multitude of flagship schemes—Start-up India, Stand-up India, MUDRA Yojana—that provide young founders with the necessary financial scaffolding, mentorship, and infrastructure. However, the development phase, between a campus-based idea and a commercially viable start-up, is often hampered by a critical lack of capital. Although the policy aims for a democratization of funding, Nashik's student entrepreneurs navigate a "funding paradox": the idea and use of schemes may have been discussed but actual accessibility remains low. This study examines the effect of these measures by governments on student start-ups in Nashik and what percentage of implementation of these policies is actually translated into more on-the-ground solutions. Through studying the experiences of 50 student entrepreneurs, this study aims to map out the systemic bottlenecks preventing young innovators from scaling their ventures and crossing the precarious "Valley of Death."

2. Literature Review

To understand the current state of funding, we categorize the existing research into four thematic areas like National Policy Frameworks & Awareness, Financial Barriers & The "Valley of Death", Ecosystem, Incubators, and Information Flow.

1. **DPIIT (2025):** The *Start-up India Status Report* highlights that while national awareness has reached 80% in urban areas, the conversion rate from registration to actual grant disbursement in Tier-2 cities like Nashik

remains below 40% due to technical non-compliance.

2. **Kumar et al. (2020):** This study suggests that government initiatives have successfully lowered the entry barrier for student entrepreneurs by providing a legal framework for "recognition," though actual capital flow is often delayed by administrative vetting.
3. **Sharma & Varma (2021):** Research on **MUDRA Yojana** indicates that while it is the most accessible scheme for micro-enterprises, student entrepreneurs often find the loan amounts (Shisha & Kishor) insufficient for tech-based scaling.
4. **Ministry of Education (2024):** The *National Innovation and Start-up Policy (NISP)* emphasizes that for government funding to be effective, Higher Education Institutions (HEIS) must allow students to utilize college labs as equity, reducing the need for external seed capital.
5. **Rao (2022):** Found that **Stand-up India** has a significant awareness gap among female students in non-metro cities, often due to a lack of specialized outreach programs at the university level.
6. **Patel (2019):** Identified that **"Bureaucratic Red Tape"** is the primary reason for start-up mortality. The documentation required for tax exemptions often exceeds the administrative capacity of a 2-person student team.
7. **Gupta & Singh (2023):** This research highlights the **"Collateral Paradox"**: despite government mandates for collateral-free loans, 70% of local bank branches still prioritize physical assets over business models when evaluating student applications.
8. **IIM Ahmedabad (2022):** A study on early-stage funding noted that government grants are often "retrospective" (reimbursement-based), which does not help students who face an immediate liquidity crisis during the prototype stage.
9. **Mehta (2020):** Discusses the **"Valley of Death"**, stating that most student start-ups in Maharashtra fail between months 6 and 18 because government seed funds require a "Proof of Concept" (POC) that requires prior capital to build.
10. **Sinha (2024):** Analysed the impact of **Tax Exemptions** (80-IAC), concluding they are ineffective for student start-ups as most do not reach the "profit-making" stage within the first three years.
11. **Gupta et al. (2018):** Highlights that **Mentorship** is a stronger predictor of start-up success than capital. Students with access to government-empanelled mentors are 3x more likely to secure private follow-on funding.
12. **Maharashtra State Innovation Society (2025):** The *Nashik Division Report* notes that the city's growth as a Tier-2 hub is driven by "Cluster Innovation," where student start-ups benefit more from local industrial tie-ups than national digital portals.
13. **Venkatesh (2023):** Explored the **"Digital Divide"** in policy awareness, finding that students in cities like Nashik rely on peer-to-peer networks (whatsapp/linkedin) rather than official government websites for funding updates.
14. **Bhide (2021):** Argues that the **Triple Helix Model** (University-Industry-Government) is weak in Tier-2 cities. Universities act as educational hubs but fail to act as financial intermediaries for their students.
15. **Das & Roy (2024):** A comparative study found that start-ups attached to **Government-recognized Incubators** have a 45% higher chance of surviving the first three years compared to independent student ventures.

3.Problem Statement

This problem statement highlighting a wide disparity between the lofty goals of national entrepreneurship policies and the on-the-ground reality for student innovators in Nashik. The Government of India has rolled out a number of initiatives, including Start-up India and MUDRA Yojana, to democratize access to capital but still faces a ‘Process-Execution Gap’ at the local level, preventing many promising ventures from being funded. There is high brand awareness among people, but actual turn to financial support is stifled by a triplet of bureaucratic friction, resistance from local banks and institutional failure. In this case, student entrepreneurs are caught in a "Collateral Paradox" where, even though the central mandates asset-free lending, local financial branches continue to require typical securities that students do not possess in Nashik. Moreover, the bureaucratic documentation complexities — mentioned by more than 50% of the student population — serve as a structural barrier that rewards professional legal support at the expense of students who are independent founders of their own. In addition, there are significant asymmetries of information within the Nashik ecosystem; universities, which should be the primary deliverers of policy information, provide only a small percentage of the data students receive. As a result, students depend on fragmented social media sources to determine their own “investment readiness,” and make

compliance mistakes. Without tackling these localized obstacles, Nashik's student start-ups are stuck in the so-called "Valley of Death," where creative solutions fail not due to a failure at the marketplace, but because an inflexible, asset-heavy financing grid is not designed for the risk appetite of student-led innovation anymore.

4.Research Methodology

Research methodology is the strategy for data collection, measurement and analysis. In Nashik, this study engages in a systematic approach that links theoretical frameworks regarding the policy with ground-level impacts.

4.1 Research Design. The study adopts a Descriptive and Analytical Research Design. Descriptive: Goals: To describe the current state of awareness and access to funding of student entrepreneurs. Analytical: That is to say, it is not a descriptive but analytical inquiry into some reasons why some barriers for example bureaucratic hurdles or a shortage of collateral exist, and how those barriers relate to the success rates of student ventures.

4.2 Sources of Data

A Mixed-Method Approach was used to obtain a full picture:

Primary Data: Gathered from the source directly using a structured questionnaire containing 25 Questions, administered to student entrepreneurs in Nashik.

Secondary Data: the data from government publications (DPIIT, MSINS), academic journals, industry reports obtained from Nashik-based incubators, and past investigations in Tier-2 start-up ecosystems as our base.

4.3 Sampling Plan.

Target Population: Current students or recent graduates of Nashik-based educational institutions who have started or are just beginning to create a start-up.

Sampling technique: Simple Random Sampling was conducted to enable each student entrepreneurial to have an equal opportunity of being chosen, which in turn minimised selection bias.

Sample Size: 30 respondents. This sample size was specified to ensure we had a proportionate yet statistically significant cross-section of the local student startup community.

4.4 Data Collection Instrument.

The primary instrument for data collection, a structured questionnaire, is the principal tool. The survey was framed around five key thematic areas: Awareness & Information Sources, Application & Accessibility. Institutional & Incubator Support. Perceived Impact & Barriers. Future Outlook.

The responses were measured on the 5-point Likert Scale, which ranges from "1 = Strongly Disagree" to "5 = Strongly Agree," that enables quantitative data collection of qualitative perceptions.

4.5 Data Analysis Tools.

Quantitative Analysis: The data were coded and analysed by SPSS and Microsoft Excel in order to generate mean scores as well percentages and frequency distributions.

4.6 Scope and Limitations

Though valuable for rich understanding of the Nashik ecosystem, this study suffers from a relatively small sample size of 30. The results in this study reflect the Tier-2 context of Nashik, and may not be entirely generalized to Tier-1 cities (e.g., Mumbai) or rural entrepreneurial setups.

5.Data Analysis and Interpretation

Part A: The Awareness & Source of Information.

- Awareness of Start-up India: 76% of students have a high brand recall which is the most known initiative.
- MUDRA Yojana Awareness: 68% aware, likely due to the scheme being popularized in local banking sectors.
- Stand-up India Awareness: Only 20% are aware, a clear failure of targeting minority and female entrepreneurs.
- MSINS (State) Awareness: 60% do not know, shows that state-level grants are overshadowed by national schemes.
- Govt Portals — The official websites of the country are hard to access by most students, and these groups do not turn to them as primary sources.
- Social Media as Source: 80% of these platforms are Instagram and linkedin, Social Media is the effective social media As Source

Part B: Application & Accessibility.

- Usefulness & Ease of Implementation: 72% of Start-up India recognition process is confusing and not intuitive.
- Document Reasonability: 80% consider paperwork burden as too much and an obstacle.
- Registration Attempts: They are 36% in this category, which is pretty high interest but low adherence — complex registration can take time up.
- Portal User-Friendliness: 82% find digital government interfaces old-fashioned and difficult for students to use.
- Bank Helpfulness: 72% that local Nashik banks are uncooperative on MUDRA loan questions.
- Bureaucratic Delay: 82% of prospective loan applicants cite major delays and red tape over application activities.

Section 3: Organizational & Incubator Support.

- College Info Support: 76% believe their college does not have sufficient information on potential funding.
- Incubator Application Help: The majority of students are neutral: That means incubation support in Nashik is uncertain.
- Incubator Value: 75 percent say that being in an incubator greatly validates their idea for a grant.
- College Seed Capital: 80% say their institution does not provide direct financial grants for prototyping.

Section D: Perceived Impact and Barriers

- Govt Funding as Primary: Due to government capital not being the primary source for 72%, most start-ups continue to rely on self-funding.
- Intrinsic Motivation: 46% would create business independently of schemes for businesses demonstrating the very own entrepreneurial local drive!
- Collateral Hurdle: Without collateral, 86% claim the main obstacle to obtaining capital.
- Rigidity in Eligibility: 76% of them consider the "one-year existence" rule to be too rigid for early-stage student innovators.
- Mentorship vs Cash: 65% favour expert mentorship and networking instead of a financial grant.
- Tax Exemption utility – 60% believe tax benefits are irrelevant now that they are in a pre-revenue/loss creation stage.

Section E: Future Outlook. Subsequent Application Intent:

Many students are in a waiting-and-watch state regarding applying for matching grants. Nashik Ecosystem Pride: A mere 42 percent are neutral and feel Nashik is expanding but doesn't offer the density of Pune or Mumbai. Confidence in the Valley of Death: 22% are confident in the claim that government support alone guarantees their survival.

6.Findings

Section A: Data Source & Awareness. The Brand Power Effect: While national initiatives such as Start-up India and MUDRA have passed 76% awareness into the student consciousness, niche schemes like Stand-up India are largely unrecognized by 80% of the target group. The Channel Shift: The students are completely dependent on social media for updates since the official government portals are perceived by the majority of students as too complicated and non-intuitive for their demographic.

Section B: Application & Accessibility. The Process Excessiveness: For 80% students, the demand for documents is the biggest reason for low application conversion - it's so much paperwork that it's hard to manage? And finally, the Last Mile Obstacle: Local banks in Nashik constitute a bottleneck: 72% of those surveyed claims that banks are unhelpful or unwilling to approve MUDRA loans to youth without formal credit histories.

Section C: Support for Institutional & Incubator support. The Academic Shortfall: Nashik universities are underperforming as conduits to policy – 76 percent of students believe universities are inadequately informing them on the procurement of government capital. Preference for Validation: While students appreciate the strategic value of Incubators, they claim many of those centres do a better job of "validating" business models than offering the type needed for seed capital, which 80% have said is lacking at the college level.

Section D: Perceived Impact & Barriers. The Collateral Paradox: 86% of students say that the absence of physical assets contributes the most to students' insurmountable barriers towards finding an investment, meaning that local lending practices continue to fall short of central government goals despite "collateral-free" policy mandates. The Value Evolution: A shocking 65% are interested in mentoring and networking instead of liquid cash, meaning the government needs to act more like a guide than a lender.

Section E: Future Outlook. Growth Stagnation: Student entrepreneurs are quite realistic but remain neutral on Nashik's ecosystem (42% accept growth but say the network lacks density compared to Tier-1 hubs, such as Pune). Survival Gap: The survival gap shows the low confidence to survive the Valley of Death suggesting that the government support to date is seen as a short-term assistance instead of ensuring long-term commercial success.

7.Recommendations

Recommendations are suggested to help fill in the Process-Execution Gap and increase the impact of government funding programs.

1. **Support is Decentralized** — The "Scheme Navigator" Model
   In Nashik, the government needs to assign district-specific Scheme Navigators. 52% of them struggle with bureaucracy so these navigators would act as a single point of contact, just to hand-hold the students through paperwork and make sure they can meet their eligibility criteria before applying.
2. **Mandated Banking Sensitization**
   In Nashik, local bank branches require specific training on Credit Guarantee Fund Trust for

Micro and Small Enterprises (CGTMSE). The government should ensure strict monitoring of banks that reject collateral-free MUDRA loans to students with a valid Start-up India recognition certificate to combat the "Collateral Paradox" (86% rejection rate).

3. **Activation of University "Funding Cells"** Only 24% of students find information through university portals, Nashik colleges should change from "Entrepreneurship Cells" to "Compliance & Funding Cells." The cells should provide mandatory workshops on how to write "Investor-Ready" documentation that meets state government grant documentation requirements.
4. **Introduce "Pre-Seed" Student Grants** To curb ventures from dying in the Valley of Death, government policy needs to change to include a Pre-Seed Grant (from ₹1–3 Lakhs) in favour of students. Most existing schemes need 1 year of operation (as per current requirement), however, student innovators are required to take capital in the first 6 months to develop their prototypes and register their organisations.
5. **Digitization of Mentorship Networks** Since 65% of students choose mentorship over cash, the government should create a digital mentor marketplace for Tier-2 towns. It would connect Nashik students to industry veterans of Mumbai and Pune on virtual platforms, and, in this way, provide access to the higher-level networking they currently lack.
6. **Gamified Information Portals** In order to combat the "Channel Shift" — where students sidestep official portals for social media — government websites must have gamified UI/UX. The government can improve direct engagement by simplifying the interface (and short-form video tutorials) — similar to what 80% of students are more prone to via social media.
7. **Incentivizing Private-Public Incubation** By enabling Nashik-based industrial houses (e.g., Ambad and Satpur MIDC) to adopt student start-ups through tax incentives, the government should provide incentives to such institutions. Linking the needs of local industries with the learning of students, the "Validation" students seek from incubators can be backed by actual practices in industry and funding.

8.Conclusion

Despite the successful role of governmental initiatives in sparking an entrepreneurial spirit among student innovators in Nashik, a "Process-Execution Gap" remains limiting them from practical use. This research reveals that despite high levels of awareness, funding is actually constrained by a "Collateral Paradox" in local banks, and overwhelming bureaucratic documentation. To sustain student ventures beyond the 'Valley of Death', it is necessary for the ecosystem to transition from simply allocating capital to actively holding hands with institutions and simplifying support that is localized and focused.