

## Budget 2025-26 and Entrepreneurship In India

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### Abstract -

It is a fact that the start-ups turning into unicorns in India were something unheard of a few years back. However, the Government of India has been working for the last few years to promote a conducive environment for entrepreneurship in India with many policy level interventions. These policy inventions and incentives have started paying dividends. The number of the unicorns in India has significantly risen to more than 100 in the last few years only. However, this is not enough for the kind of demographic opportunities as well as challenges India has at present and will have in the coming decades, such as providing employment opportunities to millions of youth as well as providing post-retirement facilities to millions of the greying population which will retire in coming decades.

**Keywords** - Start-up, Government of India, Environment, Entrepreneurship, Policy, Union Budget 2025-26, Domestic and Global Economies, Business index, Innovation, Research and Development.

### Introduction -

Following its annual tradition, the Government of India presented the Union Budget 2025-26 on 1st Feb 2025. This budget has been presented against the backdrop of slowing domestic and global economies, volatile global trade and a weakening Indian Rupee while India witnesses an era of high food inflation, agricultural distress and persistently high unemployment rates. All this is happening as and when India aspires to become a developed nation by 2047. Considering the demographics and to achieve the goal of a developed country by 2047, India has no option but to encourage its people to

engage in entrepreneurial activities to accelerate economic activities and increase employment opportunities in the Indian economy.

At present, the Indian economy needs many measures and reforms to enhance the development of the economic sector, improve the ease of doing business index, and promote innovation, research and development across various sectors. The Budget 2025-26 has proposed many provisions that can catalyse entrepreneurship activities along with innovation and research and development in the Indian economy, depending on the implementation and future economic conditions and policy environment.

It is a fact that the start-ups turning into unicorns in India were something unheard of a few years back. However, the Government of India has been working for the last few years to promote a conducive environment for entrepreneurship in India with many policy level interventions. These policy inventions and incentives have started paying dividends. The number of the unicorns in India has significantly risen to more than 100 in the last few years only. However, this is not enough for the kind of demographic opportunities as well as challenges India has at present and will have in the coming decades, such as providing employment opportunities to millions of youth as well as providing post-retirement facilities to millions of the greying population which will retire in coming decades.

Every year, the budget for the last few years has been putting efforts into creating a conducive environment for entrepreneurship in India. Some of the provisions proposed in the Budget 2025-6 to accelerate entrepreneurial activities in the economy are as follows:

- **Tax Incentives for Entrepreneurs**

Tax incentives are one of the best measures to promote and catalyse entrepreneurial environment and activities in any economy. The budget promises to continue providing tax benefits that have been given to start-ups for the last few years. Tax holidays and exemptions have been accorded and extended to start-ups. Not only will this, but the removal of the Angel tax for recognized start-ups also encourage the entrepreneurs and angel investors to put more effort and money into making the start-ups successful. Thereby relieving the newcomer of some weight of the pocket and encouraging fresh entrepreneurship.

One of the most significant announcements in the budget is the reform in personal income tax slabs. The no-tax slab limit has been increased to ₹12.75 lakh per annum post-standard deduction, with the adjusted tax brackets to be reaped by people earning up to ₹24 lakh. This would enhance disposable income for the middle class, and this, in turn, will enhance consumer spending and create higher demand in the economy, thereby making it a better environment for businesses to generate more revenues. Also, to provide relief to start-ups, the government has extended the window to claim tax holidays until March 31, 2030. This will lead to the emerging businesses having a more extended period for tax exemptions. This provision will further make entrepreneurship more lucrative, encouraging the development of new ventures and supporting them in their initial critical stages of growth.

- **Funding and Credit: Access**

Access to funding and credit availability to start-ups is scarce in India. Angel investors do invest in a few selective start-ups in specific sectors, but availability of credit is very difficult even though the Government of India launched the Mudra Scheme a few years ago. However, the availability of seed funds for new entrepreneurs is almost impossible. The entrepreneurs have to arrange all the seed funds on their own, irrespective of the idea. The government of India has taken cognizance of this and realizes that by just providing incentives only, the entrepreneurship scene in India cannot be changed. To achieve this goal, this budget has allocated funds to the Start-up India Seed Fund Scheme and the Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE) to simplify access to funds, which had been one of the highest obstacles for entrepreneurs. Budget 2025-26 has made provision for setting up this fund as 'Funds of Funds'.

- **Ease of Doing Business and Streamlining Regulatory Regime**

There were many provisions in the regulatory framework which included many corporate offenses as criminal offenses. The on-going decriminalization of those corporate offenses under the Company Act 2013, along with the simplification of compliance requirements, would make it easier for the entrepreneurs to navigate the bureaucratic setup, turning the whole environment more cohesive for entrepreneurship in India.

The government plans to facilitate the ease of doing business by decriminalizing more than 100 provisions in various laws by introducing the Jan Vishwas Bill 2.0. The government is focusing on reducing the compliance burden on businesses and on encouraging entrepreneurial activities by creating a more business-friendly regulatory environment.

- **Innovation and R&D**

Most of the economies are becoming digitized very fast and are being disrupted by technology and innovations in the globalized world. This makes innovation and research and development (R&D) imperative for survival. Today, innovation and research and development (R&D) are the backbone of the modern and fast-changing economies. The economies must turn their environments conducive and give a thrust for innovation and R&D. In the Budget 2025-26, there is a thrust towards innovation through increased funding for research and development, especially in the technology and green sectors. This may give a boost to entrepreneurial activities in high-growth areas like clean tech, AI, and biotechnology.

Under the innovation account, there is a provision of ₹20,000 crore for a private sector-led Research, Development, and Innovation program. It is expected to catalyse start-ups and grown-up companies to build technologies that will catapult India as an innovation power centre of the world.

- **Infrastructure**

Infrastructure is crucial to be able to build an ease-of-doing business environment. Towards this end, the government has proposed a budget of ₹1.5 lakh crore of 50-year interest-free loans to states for capital expenditure and incentives for reforms. This is expected to accelerate the infrastructure development process and improve the ease of doing business in the country.

- **Skill Development**

Skill development is a cause for concern for the Indian economy. There have been reports which find that a large number of university graduates are not properly skilled to work in corporate. This is a very alarming situation for India, with more than 80 crore youths below the age of 35 years. India has no option but to invest in the skilling of her workforce. The budget recognizes this and has made provision for the skilling and education. There is a focus on education and skill development, including digital literacy. It will make the

workforce more capable, which is an important factor for entrepreneurial ventures to flourish.

- **Support to MSMEs**

Medium, Small and Micro Enterprises (MSMEs) are an important sector of the Indian economy as well as a strong contributor towards exports and employment in India. The contribution of MSMEs in the job market is higher than that of the big corporations. For the classification of MSMEs, the limits of investment and turnover have been increased to 2.5 and 2 times, respectively, in the budget for the year 2025-26. This has brought more such units under the MSME scheme to take out benefits from further expansion and technological up-gradation of such units. Apart from this, specific initiatives under MSMEs, such as the revamped Credit Linked Capital Subsidy Scheme (CLCSS) and the extension of Emergency Credit Line Guarantee Scheme (ECLGS), will continue to help scale up these businesses acting as incubators for entrepreneurship.

Another scheme under consideration is a Mutual Credit Guarantee Scheme for MSMEs, which will provide 60 per cent guarantee coverage by National Credit Guarantee Trustee Company Limited for credit facilities up to ₹100 crore. The government has specifically tried to improve credit access for MSMEs so they can invest in the equipment and machinery required for scaling their operations. These schemes are aimed to increase manufacturing activities by MSMEs in low-value products, which, at present, India is importing from the Chinese and other cheaper Asian markets.

- **Increasing Women and SC/ST Entrepreneurs**

It has given much importance to inclusivity in the budget with a new scheme introduced for first-time women, SC, and ST entrepreneurs, offering term loans up to ₹2 crore for the next five years to bring such groups into empowerment for their business enterprises. The initiative works for diversity in entrepreneurship but also in socio-economic development through participation from the downtrodden community. This is expected to help Self-help Groups run by the women.

- **Sector-Specific Initiatives**

The budget has also outlined sector-specific initiatives for entrepreneurship in key areas:

- **Agriculture:** A six-year "Mission for Atma Nirbharta in Pulses" focuses on self-reliance in pulse production, with central agencies ready to procure pulses from farmers over the next four years. The mission aims to support agripreneurs and enhance the agricultural value chain.
- **Manufacturing:** Establish a National Manufacturing Mission for small, medium and large industries to prod the "Make in India" initiative that would motivate the manufacturing entrepreneurs to take up scaling their units and boost the economy.
- **Tourism:** With tourism being one of the most significant economic activities, the budget has suggested ways to make India a global tourist destination, which will open opportunities for entrepreneurs in the tourism and hospitality sectors.

□ **Probable Constraints:**

The success of these initiatives depends on many factors, such as implementation, larger economic contexts, sector-specific challenges, access to markets, cultural constraints, risk aversion, etc. The success of these schemes and initiatives largely depends on the effective implementation at both central and state levels. Bureaucratic inefficiency may lower the effectiveness of these initiatives. The overall inflation rates, interest rates, and the state of the economy worldwide would also impact the entrepreneurship climate. Even well-intentioned policies may fall short when economic growth slows down or demand from overseas falls. Even though the intent of the budget might be the welfare of the people and economy as a whole, the effect would differ concerning manufacturing or tech start-ups. For instance, land acquisition and labour laws still plague manufacturing, and logistics still lag. Access to markets is also very important for the success of the initiatives: Though entrepreneurs aiming at a global market have their concentration solely on developing the domestic markets, they will still face challenges such as trade barriers and reciprocal tariff-like situations, which the Trump administration is planning to implement in the USA. In India, the culture is also a major constraint. The attitude of the people towards entrepreneurship is dominantly not positive, and they are risk averse, preferring jobs to entrepreneurship. This attitude of people towards entrepreneurship may

become one the reasons for the ineffective implementation and impact of these initiatives.

#### □ Conclusion

The Union Budget 2025-26 is an all-around measure to strengthen India's entrepreneurial ecosystem. The tax reforms, support to MSMEs, inclusivity promotion, significant investments in infrastructure and innovation, simplification of regulations, sector-specific initiatives, funding and credit availability will go a long way in building an entrepreneurial-friendly environment. All these are likely to boost economic growth, spur innovation, and propel India to a leadership position in the global entrepreneurial landscape. However, the real test will be at the time of implementation of these policies so that they can be felt at the grassroots level of entrepreneurship spread across the diversely broadened economic landscape of India. Such a budget would require a conducive macroeconomic environment, further reforms in key sectors, and a cultural shift towards embracing entrepreneurial risks for significant acceleration. Under these conditions, the budget would indeed provide an impetus to entrepreneurial activities.

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