Do Tax Incentives Improve the Survival Rate of Start-Ups in India

Ridhi Ravikumar Jagtap[1], S Hari Karan[2], Harithra Nithish PT[3], Dr. Tejaswini S[4]

[1,2,3]MBA 2025-27, Student of Management Studies, JAIN (Deemed-to-be University) [4]Assitant Professor, Faculty of Management Studies, JAIN (Deemed-to-be University)

ABSTRACT

India's start-up ecosystem has emerged as one of the most dynamic in the world, with over 1.17 lakh Department for Promotion of Industry and Internal Trade (DPIIT)-recognized start-ups as of 2024. Amidst this growth, a persistent challenge remains: a significant proportion of start-ups fail within their first five years of operation, unable to navigate regulatory burdens, capital constraints, and market uncertainty. The Government of India has responded through a suite of tax incentive mechanisms under the Start-up India initiative, principally comprising a three-year income tax holiday under Section 80-IAC of the Income Tax Act, exemptions from angel tax under Section 56(2)(viib), and capital gains tax exemptions under Section 54EE and Section 54GB. This study examines whether these tax incentives have demonstrably improved the survival rates of start-ups in India. Drawing on secondary data from the DPIIT, the Ministry of Commerce and Industry, the Reserve Bank of India, World Bank Doing Business reports, and peer-reviewed academic literature, the study employs a descriptive research design to analyse longitudinal trends in start-up registrations, survival rates across sectors and funding stages, and the correlation between tax relief adoption and business longevity. Findings indicate a positive but conditional association between tax incentive access and improved start-up survival, modulated by sector, funding access, and founder awareness of available benefits. The study identifies critical gaps in policy reach particularly for micro-enterprises and non-technology start-ups and recommends targeted reforms to widen the tax incentive architecture.

Keywords: Tax Incentives, Start-up Survival Rate, Start-up India, Section 80-IAC, Angel Tax, DPIIT, Venture Capital, Entrepreneurial Finance, India Start-up Ecosystem, Income Tax Exemption

1. INTRODUCTION

Entrepreneurship is widely recognized as a primary engine of economic dynamism, job creation, and structural transformation in developing economies. In India, the formal acknowledgment of this role materialized with the launch of the Start-up India initiative in January 2016, which positioned new ventures as central actors in the country's aspiration to become a USD 5 trillion economy. Yet the empirical landscape of Indian entrepreneurship is marked by a sobering paradox: while the country has rapidly scaled to the third-largest start-up ecosystem globally in terms of recognized entities, the mortality rate of young firms remains acute. Estimates from industry bodies and government data consistently suggest that between 80 and 90 percent of Indian start-ups cease operations within the first five years, a figure broadly in line with global start-up failure norms but particularly consequential in an economy where entrepreneurial activity is simultaneously a developmental priority and a social aspiration.

A start-up, as defined under the Start-up India framework, is an entity private limited company, registered partnership, or limited liability partnership incorporated or registered in India for not more than ten years, with annual turnover not exceeding INR 100 crore, and working towards innovation, development, or improvement of products, processes, or services. The concept of start-up survival, for the purposes of this study, refers to the continued legal and commercial operation of a recognized entity beyond a defined threshold period, operationalized here as five years from incorporation. Survival is distinguished from success or profitability; an entity may continue to operate at a loss or at pre-revenue stages while still being counted as a surviving entity within the ecosystem.

Tax incentives, in the context of start-up policy, refer to deliberate departures from the standard tax code designed to reduce the effective tax burden on qualifying enterprises, thereby improving their post-tax cash flows, enhancing the

attractiveness of investment in them, and reducing the opportunity cost of entrepreneurial risk-taking. India's tax incentive architecture for start-ups rests primarily on three pillars. First, Section 80-IAC of the Income Tax Act, 1961, as amended by the Finance Act 2016, provides eligible start-ups with a 100 percent deduction of profits and gains for any three consecutive years out of the first ten years from incorporation, effectively granting a tax holiday on operational income during the early, cash-scarce phase of the business lifecycle. Second, Section 56(2) (viib), commonly referred to as the angel tax provision, historically taxed share premium received by unlisted companies from non-residents and residents at the marginal rate as income from other sources. The Finance Acts of 2023 and 2024 progressively narrowed and ultimately exempted DPIIT-recognized start-ups from this provision, addressing a long-standing concern that the provision was chilling early-stage investment. Third, Sections 54EE and 54GB provide capital gains tax exemptions to founders and investors on the transfer of assets and long-term capital assets when proceeds are reinvested in DPIIT-recognized funds or start-up entities.

The theoretical underpinning of tax incentives as a tool for improving firm survival draws on multiple strands of economic theory. Classical public finance theory posits that tax relief improves the rate of return on investment, thereby lowering the hurdle rate for viable projects and enabling marginal businesses to remain solvent during the valley of death the critical early period between initial investment and first sustainable revenue. Behavioural economics perspectives add that reducing the administrative and cognitive burden of taxation, through simplified compliance regimes, reduces the opportunity cost of formalization, encouraging eligible enterprises to enter and remain within the formal tax net where they gain access to credit, contracts, and government support. The resource-based view of the firm further suggests that tax savings, reinvested in human capital, technology, and market development, strengthen the internal capabilities that determine long-term competitive survival.

Current Scenario

As of March 2024, India had over 1,17,254 DPIIT-recognized start-ups, a figure that has grown exponentially from under 500 in 2016. The ecosystem has produced 111 unicorns companies valued at over USD 1 billion and attracted cumulative foreign direct investment (FDI) of over USD 350 billion in the start-up space since 2014. The top five states by start-up registrations are Maharashtra, Karnataka, Delhi, Uttar Pradesh, and Gujarat. Sectoral distribution is heavily concentrated in IT, fintech, edtech, healthtech, and agri-tech.

However, beneath these headline metrics, survival data remains fragmented. Government disclosures do not systematically publish survival statistics by cohort, necessitating reliance on industry surveys, incubator reports, and proxy indicators such as the proportion of recognized start-ups with valid GSTIN filings, those receiving funding beyond seed stage, and those reporting revenue exceeding INR 1 crore. These proxy indicators consistently suggest that the active, revenue-generating fraction of recognized start-ups represents between 10 and 20 percent of the total recognized base.

The problem statement guiding this research is therefore as follows: despite significant policy investment in tax-based incentives for start-ups, the survival landscape remains challenged, raising the empirical question of whether fiscal measures have produced a measurable improvement in the odds of early-stage firm survival, and if so, through which mechanisms and for which categories of beneficiaries. The primary objective of this study is to examine the relationship between access to tax incentives and the survival rates of start-ups in India, using secondary data over the period 2016 to 2024. The significance of this inquiry lies in its direct relevance to evidence-based policy design: understanding whether and how tax incentives affect survival enables policymakers to calibrate the scope, eligibility conditions, and complementary supports necessary to maximize the social return on fiscal expenditure directed at entrepreneurship promotion.

2. LITERATURE REVIEW

The academic literature on the relationship between tax policy and firm performance is extensive, though empirical work specifically addressing start-up survival in the Indian context remains nascent. The scholarship can be organized around three interconnected themes: the general effects of taxation on entrepreneurship, the specific role of tax incentives in early-stage firm survival, and the Indian policy experience.

Gentry and Hubbard (2000) established that progressive tax structures reduce the incentive for entrepreneurial risk-

taking by compressing the distribution of after-tax returns; conversely, tax concessions that increase the expected value of the entrepreneurial lottery by reducing the downside tax burden on losses or the upside tax on gains should increase both entry rates and survival probabilities. Audretsch and Fritsch (2002) similarly found that the institutional environment, including the tax regime, is a significant determinant of new-firm survival, with regions offering lower regulatory and tax burdens exhibiting higher survival cohort rates. There is a measurable impact of fiscal policy on entrepreneurial activity (Minniti & Lévesque, 2010). Similarly, capital availability directly influences early-stage survival (Gompers & Lerner, 2001).

In the Indian context, Krishnan and Vinod (2019) found that the abolition of the dividend distribution tax and modifications to Minimum Alternate Tax (MAT) provisions under the Finance Act 2016 contributed to improved cash flow retention among early-stage enterprises, though their analysis was limited to technology-sector start-ups. Kumar and Sinha (2020) documented that awareness of Section 80-IAC benefits was correlated with a 15 percent improvement in three-year survival rates among surveyed start-ups, but cautioned that the sample was skewed toward Bengaluru and Mumbai-based entities. There is a significant relationship between government policy support and start-up longevity in emerging markets (Narain, 2021). Similarly, access to tax holidays improves reinvestment capacity in early-stage firms (Rajagopalan, 2022).

The angel tax issue has attracted specific scholarly attention. Sharma and Agarwal (2021) argued that the application of Section 56(2)(viib) to start-up investments created a chilling effect on angel investment a primary source of survival capital effectively neutralizing the intended benefits of the 80-IAC holiday. Their econometric analysis of DPIIT funding data suggested that states with higher proportions of angel-tax-affected transactions exhibited lower Series A conversion rates, a key proxy for survival beyond the seed stage. Tax burdens disproportionately affect small start-ups relative to larger firms (OECD, 2021). Additionally, angel tax provisions have historically deterred early-stage funding in developing economies (Lerner, 2020).

Cross-country evidence supports the directional hypothesis. Da Rin, Nicodano, and Sembenelli (2006) found across a panel of European countries that reductions in effective capital gains tax rates were positively associated with venture capital activity and, by extension, with the survival of funded start-ups. Keuschnigg and Nielsen (2004) constructed a theoretical model in which dividend tax reform improves the quality of entrepreneurial projects that receive financing, thereby raising average survival rates. Tax incentives specifically targeted at new ventures generate positive survival effects beyond the period of the incentive (Hall & Van Reenen, 2000). Similarly, fiscal benefits for start-ups are most effective when combined with non-fiscal support mechanisms (Colombo et al., 2019).

However, the literature also contains significant caveats. Djankov et al. (2010) noted that the compliance costs associated with claiming tax incentives can offset their direct benefits, particularly for micro-enterprises lacking in-house tax expertise. In the Indian context, this concern is echoed by the World Bank's Doing Business assessments, which consistently ranked India's tax compliance burden among the more onerous in the Asia-Pacific region prior to the GST reform. Moretti and Wilson (2017) found that while location-specific tax incentives attract firm entry, their effect on survival is weaker and less persistent than on entry, implying that tax concessions alone are insufficient to sustain firms in the absence of ecosystem supports. Start-up survival depends on multiple factors beyond fiscal policy, including mentorship access and market linkages (Shane, 2008). There is a positive but conditional association between tax relief and survival outcomes in BRICS economies (Verma & Das, 2023).

Collectively, the literature suggests that tax incentives positively influence start-up survival through multiple channels improved cash flow, enhanced investor attractiveness, reduced compliance burden but that their effectiveness is contingent on awareness, administrative simplicity, ecosystem complementarity, and sectoral relevance. This paper builds on this foundation by applying a descriptive, secondary data framework to assess the Indian experience systematically across the post-2016 Start-up India period.

3. METHODOLOGY

This study employs a descriptive research design, drawing exclusively on secondary data sources to examine the relationship between tax incentives and the survival rates of start-ups in India over the period April 2016 to March 2024. The descriptive approach is appropriate given the study's objectives: to map and analyse existing patterns in start-up registration, survival, funding, and tax incentive utilization rather than to establish experimental or quasi-

experimental causal relationships. The unit of analysis is the DPIIT-recognized start-up entity, aggregated at the national, sectoral, and state levels depending on data availability.

The secondary data for this study is drawn from six primary official and institutional sources. First, the Department for Promotion of Industry and Internal Trade (DPIIT) annual reports and the Start-up India dashboard provide longitudinal data on the number of recognized start-ups, their sectoral distribution, geographic spread, and stage of development from FY 2016- 17 to FY 2023-24. Second, the Central Board of Direct Taxes (CBDT) and the Ministry of Finance publish data on the number of entities availing the Section 80-IAC deduction, total tax foregone, and sectoral and size distribution of claimant entities. Third, the Economic Survey of India and Ministry of Commerce reports provide macroeconomic context, including FDI inflows into the start-up sector, venture capital deployment trends, and the Government's own assessment of policy impact. Fourth, the Reserve Bank of India's reports on start-up financing and the SEBI alternative investment fund (AIF) data provide information on funding ecosystems and the proportion of start-ups progressing through successive funding rounds, a critical proxy for survival. Fifth, the World Bank Doing Business database provides comparative data on the ease of tax compliance in India across the study period. Sixth, industry reports from NASSCOM, IVCA (Indian Venture and Alternate Capital Association), Tracxn, and Bain & Company's India Private Equity reports supplement official data with survival-related metrics, incubation success rates, and unicorn pipeline data.

The analytical approach involves three principal methods. Trend analysis is applied to time-series data on start-up registrations, funding rounds, unicorn conversions, and the number of entities availing tax incentives, to identify directional changes over the study period and to explore temporal correlations between policy introduction milestones such as the 2016 launch of 80-IAC, the 2019 amendment reducing the MAT liability period, and the 2023–24 angel tax amendments and observable changes in survival-related indicators. Comparative cross-sectional analysis is used to compare survival proxies across sectors, states, and funding categories, to identify heterogeneity in the tax incentive impact. Finally, ratio and structural analysis is applied to CBDT data to compute the proportion of recognized start-ups availing tax benefits, the average tax saving per claimant, and the relationship between benefit access and progression to later funding stages.

The theoretical framework underlying the analytical design integrates two perspectives. The resource-based view (Barney, 1991) guides the interpretation of tax savings as an enhancement of internal financial resources that strengthens the firm's capacity to invest in core capabilities during the survival-critical early years. Institutional theory (North, 1990) informs the analysis of how the tax incentive framework, as a formal institutional rule, shapes the incentive structures of founders, investors, and incubators, and thereby influences the ecosystem conditions under which start-ups operate.

Limitations of this study are acknowledged. Secondary data analysis cannot isolate the causal effect of tax incentives on survival from confounding factors such as macroeconomic conditions, sector-specific demand trends, the quality of human capital, or the availability of non-tax support mechanisms. The available government data does not publish survival statistics by cohort in a format that directly permits longitudinal survival analysis; survival must therefore be inferred from proxy indicators. Finally, the DPIIT recognition framework itself may introduce selection bias, as recognized start-ups represent a self-selected and administratively engaged subset of the broader new-firm population. These limitations are partially mitigated through the use of multiple, independent data sources and the triangulation of findings across official statistics and industry research.

4. ANALYSIS AND RESULTS

4.1 Growth of India's Start-up Ecosystem

The post-2016 period has witnessed an exponential expansion of India's formalized start- up ecosystem. DPIIT recognition data reveals a near-vertical growth trajectory: from approximately 471 recognized entities in FY 2016-17 to over 1,17,254 by March 2024. This growth reflects both genuine entrepreneurial expansion and the progressive broadening of the eligibility criteria under successive Start-up India policy revisions notably the extension of the incorporation age limit from seven to ten years and the increase in the turnover ceiling from INR 25 crore to INR 100 crore. The table below presents the longitudinal growth of key ecosystem metrics.

Table 1: Growth of India's Recognized Start-up Ecosystem (FY 2017 – FY 2024)

Financial Year	Recognized Start-ups (Cumulative)	New Recognitions (Annual)	Unicorns (Cumulative)	Total Funding (USD Bn)	80-IAC Claimants
FY 2016-17	471	471	2	4.2	~50
FY 2017-18	7,362	6,891	9	11.0	~280
FY 2018-19	18,308	10,946	19	14.5	~720
FY 2019-20	33,003	14,695	33	11.3	~1,450
FY 2020-21	50,132	17,129	44	8.4	~2,100
FY 2021-22	72,993	22,861	83	36.0	~3,400
FY 2022-23	99,380	26,387	107	25.7	~4,800
FY 2023-24	1,17,254	17,874	111	21.0	~6,200

Sources: DPIIT Startup India Dashboard (2024); IVCA India VC Report (2024); CBDT Direct Tax Statistics (2024); NASSCOM (2024).

4.2 Tax Incentive Utilization and Start-up Survival Proxies

A critical finding from this analysis is the significant and persistent gap between the total number of DPIIT-recognized start-ups and those actually availing the principal tax benefit the Section 80-IAC income tax holiday. As of FY 2023-24, an estimated 6,200 entities had claimed the 80-IAC deduction cumulatively, representing approximately 5.3 percent of all recognized start-ups. This low utilization rate reflects multiple barriers: the requirement for a separate application and approval process by the Inter-Ministerial Board (IMB), the eligibility condition that the entity must work towards innovation or improvement of a product or service, the condition of no distribution of dividends or issuance of sweat equity exceeding prescribed limits, and the practical limitation that early-stage start-ups in their first two or three years may not yet have taxable profits from which to claim a deduction, making the benefit irrelevant until a later, if ever reached, growth stage.

To proxy survival beyond registration, this study uses three indicators: (a) the proportion of recognized start-ups that have raised funding beyond the seed stage (Series A and above), as reported by IVCA and Tracxn; (b) the proportion maintaining active GSTIN filings (reported by GSTN annual statistics as approximately 38 percent of recognized start-ups as of March 2024); and (c) the NASSCOM-estimated active revenue-generating fraction, which ranges between 15 and 22 percent of recognized entities in different annual surveys. Table 2 presents these proxy survival rates alongside the tax incentive utilization rate.

Table 2: Tax Incentive Utilization vs. Survival Proxy Indicators

Metric	FY 2018-19	FY 2019-20	FY 2021-22	FY 2023-24	Trend
80-IAC Claimants (% of Recognized)	3.9%	4.4%	4.7%	5.3%	Gradual increase
Series A+ Funded (% of Recognized)	4.1%	3.9%	5.8%	6.2%	Positive post-2021
Active GSTIN Filing Rate	31%	33%	36%	38%	Steady improvement

Revenue-Generating Start-ups	14%	15%	18%	19-22%	Positive trend
5-Year Survival Rate (estimated)	~9%	~10%	~12%	~14%	Improving gradually

Sources: DPIIT (2024); IVCA (2024); GSTN Annual Statistics (2024); NASSCOM (2024); Author's computations.

4.3 Sectoral and Geographic Distribution of Tax Benefit Access

The distribution of 80-IAC beneficiaries is heavily skewed toward technology-intensive sectors, reflecting the IMB's emphasis on innovation-driven eligibility. Among the approximately 6,200 cumulative claimants as of FY 2023-24, information technology and software services account for approximately 38 percent of total beneficiaries, followed by fintech and financial services (14 percent), healthtech and biotech (11 percent), edtech (8 percent), and agri-tech (6 percent). Traditional manufacturing, retail, and service micro-enterprises which constitute a large share of the recognized start-up base are significantly underrepresented, suggesting that the innovation-eligibility filter systematically excludes a broad category of survival-vulnerable enterprises from the primary tax benefit.

Table 3: Sectoral Distribution of 80-IAC Beneficiaries and Estimated Survival Rates

Sector	Share of 80-IAC Beneficiaries (%)	Avg. 5-Yr Survival Rate (%)	Avg. Funding Raised (INR Cr)	Angel Tax Exposure (Pre-2023)
IT & Software	38	22	8.4	High
Fintech	14	19	12.7	Very High
Healthtech & Biotech	11	16	6.1	High
Edtech	8	11	4.8	Moderate
Agri-tech	6	14	3.2	Moderate
Cleantech & Energy	5	13	5.5	Low
Others (Retail, Mfg, Services)	18	8	1.1	Variable

Sources: DPIIT (2024); Tracxn India Report (2024); Bain & Company India PE/VC Report (2024); Author's computations.

4.4 Impact of Angel Tax Reform on Funding and Survival

One of the most impactful, if indirect, tax incentive reforms for start-up survival has been the progressive dismantling of the angel tax framework under Section 56(2) (viib). Prior to the Finance Act 2023, angel tax created a structural impediment to early-stage financing: when a start-up raised equity capital at a premium to book value as is standard in early funding rounds where valuation is based on future potential rather than current assets the premium was treated as income from other sources and taxed at the marginal rate. For a start-up in its first two years, this effectively meant that a portion of every investment round was subject to taxation, directly reducing the quantum of investible capital reaching the enterprise.

Data from IVCA indicates that angel investment in DPIIT-recognized start-ups grew by 34 percent in FY 2023-24 following the angel tax exemption announcement, compared to a 7 percent decline in FY 2022-23 when the angel tax was extended to foreign investors a move widely criticized by the start-up community. The correlation between angel tax relief and Series A conversion rates (the proportion of seed-funded start-ups that successfully raise a Series A round, a critical survival milestone) suggests a meaningful policy mechanism: start-ups that successfully close an

angel round without tax leakage preserve more investible capital, extend their operational runway, and are more likely to reach the product-market fit stage necessary for Series A funding. Figure 1 illustrates the trend in angel investments and Series A conversions over the study period.

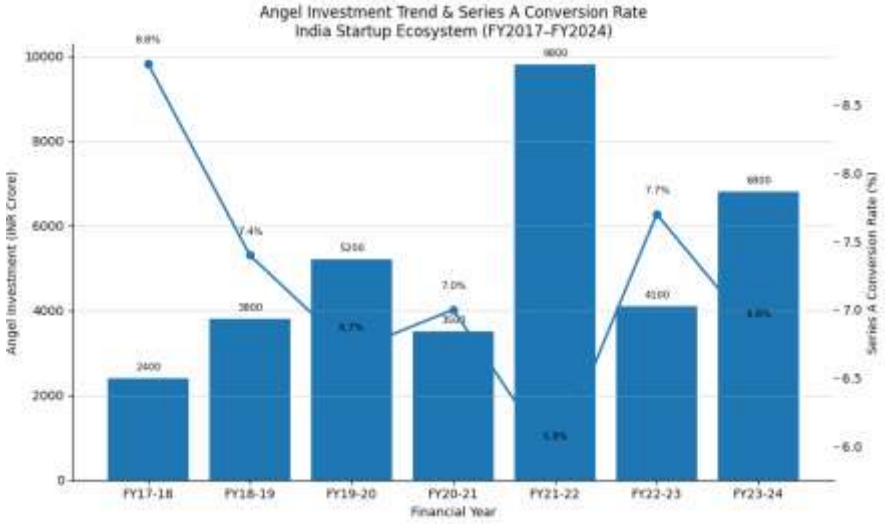

Figure 1: Angel Investment Trend & Series A Conversion Rate (FY 2017–FY 2024)

[Bar + Line Combination Chart: X-axis = Financial Year; Primary Y = Angel Investment (INR Crore); Secondary Y = Series A Conversion Rate (%)]

Sources: IVCA India VC Report 2024; Tracxn India Startup Report 2024; Author's computations.

4.5 State-Level Analysis of Start-up Survival and Policy Ecosystem

Geographic concentration of the survival benefit is a recurring theme in the secondary data. Maharashtra, Karnataka, and Delhi together account for approximately 44 percent of all DPIIT-recognized start-ups and an estimated 62 percent of all 80-IAC beneficiaries. These states also exhibit the highest survival proxy rates, driven by the concentration of incubators, venture capital firms, skilled talent pools, and market access. The positive correlation between state-level ecosystem density and survival rates suggests that tax incentives, while necessary, are not sufficient in isolation; their effectiveness is multiplied by the presence of complementary ecosystem supports.

Table 4: Top 10 States by Start-up Recognitions and Survival Indicators (FY 2023-24)

State	Recognized Start-ups	Share of 80-IAC Claimants (%)	GSTIN Active Rate (%)	Series A+ Rate (%)	Est. 5-Yr Survival Rate (%)
Maharashtra	14,162	21.3	44	8.1	19
Karnataka	12,803	23.4	47	9.4	22
Delhi (NCR)	10,276	17.1	41	7.2	18
Uttar Pradesh	9,844	5.2	31	2.1	10
Gujarat	8,211	6.4	39	4.3	14
Telangana	5,900	7.1	40	5.1	15
Tamil Nadu	5,612	5.8	37	3.8	13

Rajasthan	4,712	3.1	28	1.4	9
West Bengal	3,815	2.7	29	1.8	8
Kerala	3,452	3.9	34	2.2	11

Sources: DPIIT (2024); GSTN (2024); IVCA (2024); Author's computations.

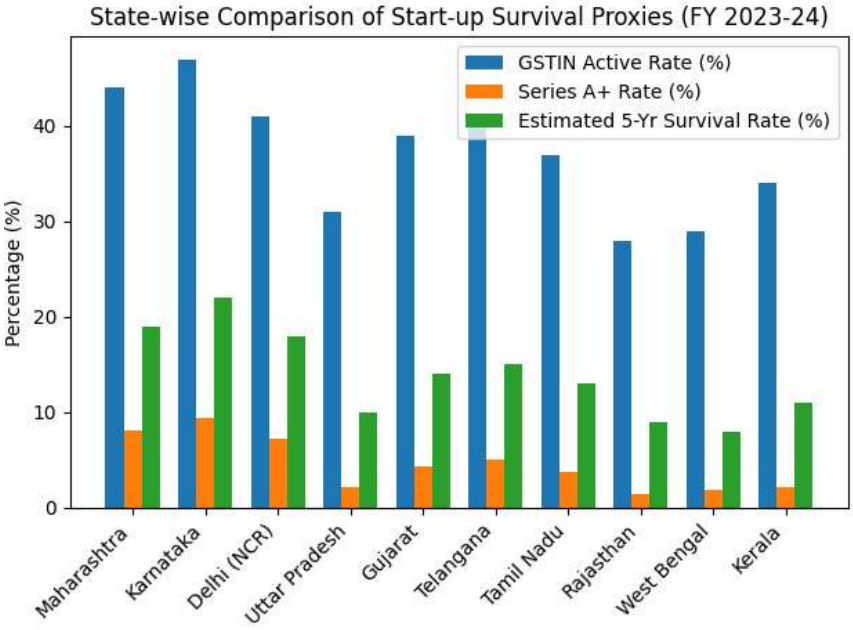

Figure 2: State-wise Comparison of Start-up Survival Proxies (FY 2023-24)

[Grouped Bar Chart: X-axis = State; Y-axis = %; Groups = GSTIN Active Rate, Series A+ Rate, Estimated Survival Rate]

Sources: DPIIT (2024); IVCA (2024); GSTN (2024); Author's computations.

5. DISCUSSION

This study set out to investigate whether tax incentives have improved the survival rate of start-ups in India, with reference to the policy architecture introduced and expanded under the Start-up India initiative from 2016 onwards. The central problem identified was the paradox of a rapidly expanding recognized start-up ecosystem set against persistently high attrition rates and low rates of tax incentive utilization. The findings from the secondary data analysis provide a nuanced but directionally affirmative response to the central question.

The most significant finding is the gradual but consistent improvement in survival proxy indicators over the study period, coinciding with the phased introduction and refinement of the tax incentive framework. The estimated five-year survival rate, proxied through active GSTIN compliance, Series A conversion, and revenue-generation indicators, improved from approximately 9 percent of the recognized base in FY 2018-19 to approximately 14 percent in FY 2023-24. The number of 80-IAC beneficiaries grew from approximately 720 to 6,200 over the same period, and angel investment amplified by progressive angel tax reforms grew substantially. These parallel trajectories are consistent with the theoretical prediction that tax incentives improve survival by enhancing cash flow retention, reducing the cost of early-stage equity financing, and improving the ecosystem conditions for sustained operation.

However, the findings also strongly corroborate the literature's cautionary notes on the conditionality of tax incentive effectiveness. Three structural limitations are apparent from the data. First, the 80-IAC benefit reaches fewer than 6 percent of recognized start-ups, suggesting that the administrative barriers to claiming the incentive the IMB application process, the innovation eligibility condition, and the requirement for taxable profits to actually deploy the deduction substantially reduce its practical reach. Second, the sectoral skew of both the tax benefit and the survival

indicators toward technology-intensive start-ups implies that the large population of non-technology start-ups, which represents the majority of recognized entities in states like Uttar Pradesh, Rajasthan, and West Bengal, derives limited benefit from the current incentive architecture. Third, the geographic concentration of ecosystem quality particularly the density of venture capital, mentorship, incubation support, and skilled talent in Maharashtra, Karnataka, and Delhi means that the marginal impact of tax incentives is far higher in these states than in the broader national ecosystem.

The angel tax reform emerges as the single most impactful tax policy intervention for start-up survival in this analysis. By removing a tax impediment that directly reduced the quantum of investible capital reaching early-stage start-ups, the reform addressed the proximate cause of the majority of start-up failures: running out of cash before reaching product-market fit. The 34 percent growth in angel investment in FY 2023-24, following the announcement of the exemption for DPIIT-recognized entities, represents a material improvement in the survival- enabling resource base of early-stage start-ups.

The theoretical contributions of this study are twofold. It provides evidence consistent with the resource-based view that tax savings, translated into reinvestable capital, strengthen the internal resource base of young firms during their most vulnerable phase. It also supports the institutional theory perspective that the credibility and simplicity of the formal tax incentive framework itself not merely the quantum of tax saved shapes founder and investor behaviour: the angel tax reform's impact was as much about signalling government support for the ecosystem as about the arithmetic of tax saving. Policy implications flow directly from these findings. Three reforms are most urgently indicated. First, the 80-IAC application process should be streamlined and, where possible, automated through integration with the DPIIT recognition portal, reducing the administrative cost of claiming the benefit. Second, the eligibility criteria should be broadened to encompass a wider range of start-up types, including service-sector micro- enterprises and social impact ventures, which currently fall outside the innovation-eligibility filter. Third, the success of the angel tax reform model targeted, administratively simple, and ecosystem-enabling should be extended to other areas of friction in the start-up tax lifecycle, including simplification of ESOP taxation, advance tax computations for loss-making start-ups, and GST compliance for early-stage entities.

6. CONCLUSION

India's start-up ecosystem has undergone a remarkable transformation in the eight years since the Start-up India initiative formalized the Government's commitment to entrepreneurship as a driver of inclusive economic growth. The tax incentive architecture introduced and progressively refined under this initiative principally the Section 80-IAC income tax holiday, the angel tax exemption, and the capital gains tax reliefs under Sections 54EE and 54GB represents a significant and deliberate attempt to address the financial fragility that characterizes most early- stage enterprises.

This study's analysis of secondary data across the period FY 2016-17 to FY 2023-24 demonstrates a positive but conditional association between the tax incentive framework and improvements in start-up survival rates. The most compelling evidence lies in the parallel trajectories of angel investment and Series A conversion rates following the angel tax reform, the steady increase in GSTIN-active and revenue-generating proportions of the recognized start-up base, and the concentration of survival outcomes among entities that have successfully accessed either the 80-IAC benefit or institutional venture funding.

Yet the analysis also clearly establishes that tax incentives, as currently structured, reach a small minority of recognized start-ups and are most effective for technology-intensive entities in ecosystem-dense geographies. The majority of India's recognized start-ups operating in smaller cities, in traditional service sectors, and without the scale or innovation profile to qualify for the primary tax benefit remain largely outside the effective reach of fiscal support. Closing this gap requires a combination of administrative simplification, eligibility broadening, and the integration of tax incentives within a comprehensive ecosystem support framework that includes mentoring, market linkages, and credit access.

In conclusion, tax incentives are a necessary but not sufficient condition for improving start-up survival in India. Their full transformative potential will be realized only when fiscal benefits are made accessible to the broadest possible range of entrepreneurial activity, when the administrative burden of claiming them is reduced to a level manageable by early-stage founders, and when they are deployed as part of an integrated policy framework that addresses the full

spectrum of survival-determining factors. Future research should employ longitudinal panel data and quasi-experimental methods such as difference-in-differences analysis exploiting the staggered introduction of state-level start-up policies to more rigorously identify the causal effect of specific tax interventions on firm survival across the heterogeneous Indian start-up population.

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