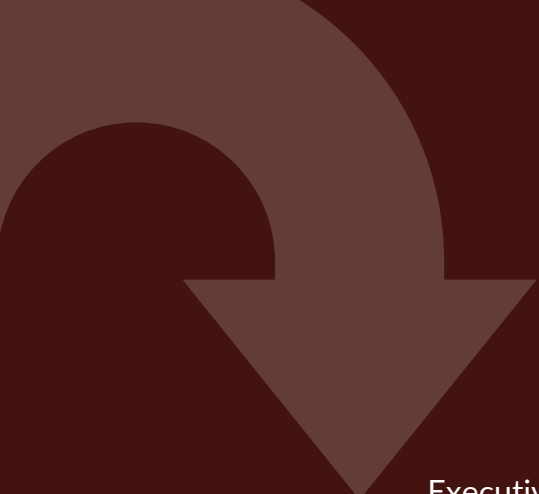


Public Procurement

A ₹88,000 Cr Opportunity
for India's Startups







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Executive Summary

M Ramakrishnan

Managing Director

Primus Partners



India's economic transformation is being powered by its vibrant startup ecosystem, a force that can be further accelerated through smarter public procurement. With a GDP of approximately USD 4.19 trillion, the country is on course to become a \$5 trillion economy. At the heart of this vision lies India's startup ecosystem - now the third largest in the world, with over 1,81,299 DPIIT-recognized startups. These enterprises are not just drivers of innovation but are also significant contributors to economic output, having injected an estimated \$140 billion into the GDP in FY24, and catalysed job creation across the nation.

Despite this momentum, early-stage startups continue to face critical barriers - foremost among them, access to markets. This report explores how public procurement, which accounts for roughly 25% of India's GDP and is valued at ₹88 lakh crore, can be strategically leveraged to address this challenge and unlock the next wave of startup-led growth. While funding, mentorship, and a supportive ecosystem are essential, market access serves as the most immediate and defining challenge.

Startups can be likened to saplings that require the right environment to grow. They need sunlight in the form of market access, water in the form of funding, care and guidance through mentorship, and fertile soil through a strong enabling ecosystem. Among these, market access is often the most elusive. Government, as a large and influential buyer, can serve as a powerful launchpad - offering early validation, credibility, and revenue streams that position startups for scale and long-term sustainability.

Our research highlights the transformative impact of government contracts on startups. A significant 76% of surveyed startups reported improved market access and enhanced business credibility after securing public sector contracts. Moreover, 69% experienced revenue growth of up to 45%, while 88% expanded their workforce - some by as much as 142%. Perhaps most notably, 70% of these startups reported increased interest from investors following government engagements. These results demonstrate that public procurement not only supports startup survival but accelerates their trajectory toward success.

Despite this potential, the share of government procurement flowing to startups remains minuscule. However, even modest shifts in allocation could yield substantial impact. For instance, directing just 0.01% of the total procurement budget or ₹888 crores - towards startups could support hundreds of early-stage ventures. A 1% allocation would inject over ₹88,000 crores into the ecosystem, potentially transforming India's innovation landscape.

One state has already proven this approach: Rajasthan. Through its flagship iStart initiative, Rajasthan has emerged as a national leader in leveraging public procurement to stimulate startup growth. The state has registered over 6,253 startups, created more than 40,183 jobs, and attracted ₹1,005 crore in investments. Key reforms - including changes to the RTTP Act, the launch of the e-Bazaar procurement portal, and innovation challenge awards - have enabled real procurement outcomes. Over 132 work orders worth ₹25 crore have been issued to 476 startups, while sectoral diversity has flourished, with notable traction in AVGC, IT services, AgriTech, and Renewable Energy. Some startups in the state have recorded revenue growth of up to 3,500%, with most reporting average growth of 50% post-government engagement.

To harness the full potential of public procurement as a startup catalyst, the report recommends a set of strategic actions. These include simplifying access through reduced eligibility norms, improving awareness about procurement opportunities, establishing mandated procurement targets for startups, scaling successful models like Rajasthan's e-Bazaar platform, and fostering deeper collaboration between startups, government bodies, and industry stakeholders.



Ultimately, public procurement must be reimagined not as a routine administrative process but as a strategic tool to build India's entrepreneurial future. When startups gain access to government contracts, they gain more than just revenue - they gain trust, visibility, and a pathway to scale. They attract investment, generate employment, and solve real-world problems that matter to citizens and the state.

As India charts its path toward a \$5 trillion economy, public procurement offers a timely and tested lever. By unlocking even a fraction of the ₹88 lakh crore procurement budget for startups, India can stimulate inclusive growth, foster innovation, and ensure that the engines of economic progress are fueled by homegrown solutions. The opportunity is clear. The pathway has been proven. The time to act is now.



For JITO, entrepreneurship is not just about business - it's about building a better India. As we witness a growing push for inclusion of startups in government-linked opportunities, our community sees this as a natural extension of its mission to serve, scale, and solve.



Gaurav Talera

Chief Secretary JITO Jaipur Youth Wing

“

Rajasthan's progressive policies are turning the spotlight on the power of innovation, enabling startups to play a pivotal role in shaping the state's future.

”



Atishay Jain

Chairman, JITO Jaipur Youth Wing

“

The Rajasthan government's visionary approach to public procurement is paving the way for a more vibrant and inclusive startup ecosystem

”



Hitesh Ji Bhandia

CHIEF SECRETARY, JITO Jaipur Chapter

“

By redefining public procurement, Rajasthan is unlocking new avenues for startups to showcase their potential and contribute to the state's economic growth.

”



Saloni Ji Jain

Chairperson, JITO Jaipur Chapter

“

Rajasthan's bold reforms are bridging the gap between innovation and implementation, empowering startups to drive meaningful change.

”



01

Beyond the Horizon:

India's Entrepreneurial Journey Towards a \$5 Trillion Economy

Introduction

India is witnessing a historic startup revolution. With its GDP standing at **approximately USD 4.18 trillion**, India has become the **world's fifth-largest economy** fueled significantly by its growing entrepreneurial base. As we set our sights on becoming a **\$5 trillion economy**, startups are not just desirable but they are essential. This report explores what startups truly need and how **public sector interventions** are unlocking pathways to **funding, market access, and ecosystem support**.

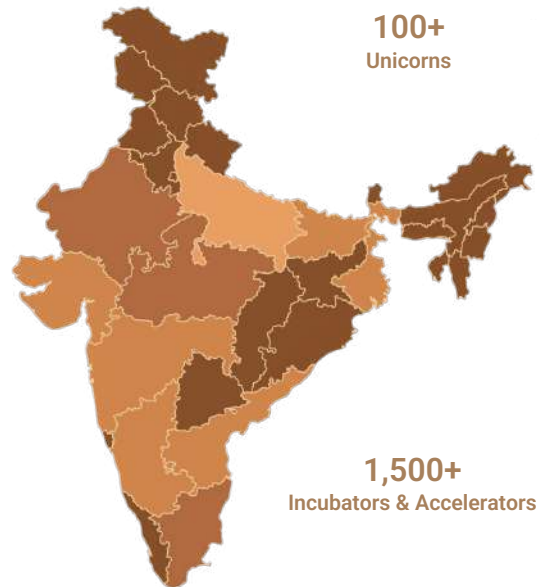
1.1 What Startups Really Need to Succeed

India is now home to the **third-largest startup ecosystem** globally. As of July 4th, 2025:

- **1,81,299 startups** are officially recognized by DPIIT
- Supported by **1,500+ incubators and accelerators**
- Backed by **100+ unicorns** shaping global innovation

181,299
Startups Recognized
By DPIIT

100+
Unicorns



1,500+
Incubators & Accelerators

Figure 1: 3rd Largest Startup Ecosystem Globally

But what does it really take for these startups - especially those beyond Tier 1 cities to scale and succeed?

Think of a startup as a young sapling. For it to grow strong and tall, it needs:

The Four Core Needs of Startups

Element	Need
 Sunlight	Market Access
 Water	Funding
 Care & Guidance	Mentorship
 Fertile Soil	Enabling Ecosystem

These aren't just resources, they are enablers of traction, scale, and sustainability. Just as a sapling needs the right conditions to grow, a startup requires a nurturing environment to scale.



Figure 2: Core Needs of Startups in Emerging Ecosystem



1.2 The Four Pillars of Startup Growth: Market, Capital, Mentorship, and Ecosystem

Core Need	What It Is	Public Sector's Role	Why It Matters
Market Access & Validation	Early traction, pilots, user feedback	Pilots, procurement, GeM platform, cluster-based support	Build credibility, enables real-world validation
Funding & Investor Connect	Seed capital, scale-up funding	SISFS, BIG, State Innovation Funds, SIDBI's FFS	Enables product development, hiring, and growth
Structured Mentorship & Strategy	Expert guidance on compliance, sales, pricing	Accelerator programs, B2G mentorship, pricing models	Strengthens policy alignment, investor readiness
Enabling Ecosystem	Infrastructure, policy, regulation, digital infra	Simplified norms, regulatory ease, DPIIT support, GeM access	Lowers operational barriers, promotes nationwide scaling

Table 1 - The Four Pillars of Startup Growth

In FY23, Indian startups contributed significantly to the Indian economy, with estimates suggesting they injected around \$140 billion into the GDP, representing nearly 4% of India's GDP. This contribution was a major factor in the overall economic growth, which is estimated to have reached 8.2% in real terms.



1.3 The Most Critical Enabler for Startup Growth

Startups often build remarkable products but struggle to take their first leap into the market. What they need is not just a buyer, but a Market Entry, where someone can validate their innovation, open doors for them, and build trust.

1.3.1 The Startup Journey to Market Access

- **Remarkable Innovation:** Startups often start their journey with the groundbreaking ideas/solutions and disruptive technologies.
- **Market Entry Struggles:** Despite innovation, startups face many challenges in accessing markets due to limited resources, networks, or scalability.

- **The Need for a Catalyst:** A supportive environment for mentorship, funding, or partnerships is vital to bridge the gap between innovation and market success.

1.3.2 What Startups Seek

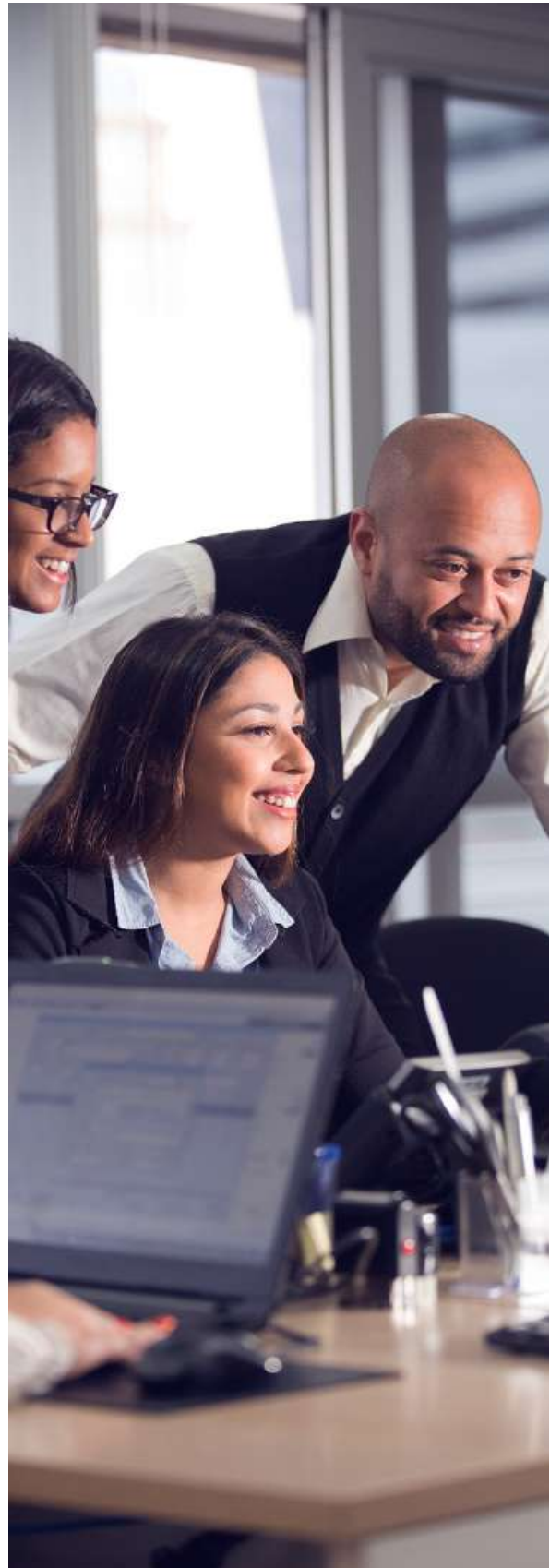
- **Traction:** Validation through real-world pilots, customer adoption, and proven use cases.
- **Credibility:** Endorsements, partnerships, or certifications that can build trust with the investors and stakeholders.
- **Visibility:** Exposure to relevant B2B and B2G opportunities for growth and scalability. Procurement gives this opportunity to startups.



1.3.3 How the Public Sector Becomes the Launchpad

- **Government as Buyer:** The public sector plays an important role at the early stage by procuring innovative solutions from startups. By prioritizing these products and services in government procurement, this not only provides critical market access but also validates new ideas, helping entrepreneurs establish credibility and generate real-world use cases that can attract broader market interest.
- **Relaxed Procurement Norms:** To support innovation, the government often simplifies procurement requirements by removing conditions like Earnest Money Deposits (EMDs), minimum turnover, and prior experience. This inclusive approach reduces entry barriers, allowing first-time innovators and startups to participate in public projects and showcase their capabilities.
- **Pilot Programs:** Public sector initiatives often include pilot programs that allow innovators to test their products in real-world scenarios.
- **Innovation Clusters:** By creating innovation clusters and designated zones, the government fosters collaborative ecosystems where startups, industry players and academic institutions come together. These hubs act as breeding grounds for localized innovation, promoting co-creation, resource sharing, and faster problem-solving tailored to regional or sectoral challenges.

Public partnerships act as credibility anchors as they offer validation, increase investor confidence, and smooth the road to market.



1.4 Funding the Future: Government's Role in Providing Capital from Seed to Scale

Startups need **consistent and catalytic capital** not just to build, but to survive, evolve, and expand. Government-led funding mechanisms bridge this crucial gap, while public procurement acts as a **validation gateway** for private investors.

1.4.A. Government Funding Schemes That Support Startup Growth

Scheme	Description
SISFS (Startup India Seed Fund Scheme)	- Up to INR 20 Lakhs as grant for validation of Proof of Concept, or prototype development, or product trials. - Up to INR 50 Lakhs of investment for market entry, commercialization, or scaling up through convertible debentures or debt or debt-linked instruments.
BIG from BIRAC	Up to INR 50 Lakhs for the for-research projects with commercialization potential.
State Innovation Funds	Co-investment models and innovation challenge grants
SIDBI	Invests in SEBI-registered AIFs to indirectly support startups
Credit Guarantee Scheme for Startups (CGSS)	Provides guarantees to lenders to encourage them to provide loans to startups.
MeitY Startup Hub and TIDE	Provides grant of INR 7 Lakhs.
SAMRIDH Scheme	Up to INR 40 Lakhs (average INR 30 Lakh per cohort)
National Initiative for Developing and Harnessing Innovations (NIDHI)	Provides grants through its various sub-programs ranging from INR 10,000 to INR 100,000,000 to startups.

Table 2 - Government Funding Schemes That Support Startup Growth

This is not an exhaustive list, but there are many such initiatives and schemes by the government and public sector enterprises that provide funding through various implementation agencies.

1.4.B. Public Procurement as a Strategic Gateway to Funding

Function	Outcome
Validation of Viability	Signals maturity and reliability to VCs and PE investors
Predictable Revenue Streams	Stabilizes cash flow and supports valuation
Faster Access to Ecosystem	Contracted startups gain entry into mentorship, scale-up platforms, investor connects

Table 3 - Public Procurement as a Strategic Gateway to Funding

Startups that win public sector contracts don't just gain business - they gain **credibility**, **visibility**, and **momentum**

Building upon these fundamental requirements, the need for startups in today's dynamic landscape has evolved to Business opportunities creating market access and funding leading to financial growth.

1.5 Public Procurement as a Catalyst: Integrating Access, Capital, and Scale

Together, market access and funding form the twin engines of startup success. But these must operate within a supportive, enabling environment that fosters innovation, ensures ease of business, and encourages risk-taking.

 Enabler	Opportunity for Startups
 GeM Platform	Equal access to government buyers
 Credibility	Proof of execution and innovation through public sector contracts
 Investment Boost	Easier access to VC funding after public contract wins

Table 4 - Public Procurement as a Catalyst

Startups are more than just economic assets - they are solutions in motion.

They solve public problems, generate employment, and redefine sectors. By aligning public procurement, funding, mentorship, and infrastructure, the government is not just supporting startups, it is shaping the economic future.

*India's startup story isn't about building in silos – it's about **integrating policy, platforms, and partnerships** to become a global innovation powerhouse*



Ashwani Mutha

Founder, Earthloom

“

For startups like ours, the journey from idea to impact needs more than capital—it needs fertile soil. Government-backed procurement doesn't just reduce risk; it creates an ecosystem where even nature-first ventures like ours can thrive at scale.

”



Anil Joshi

Founder, Unicorn India Ventures

“

Government contract provides instant validation to the products and services developed by startups. If the startup meets government standards and compliances with compromising deliverables then, the private sector will build an automatic trust. A government contract is more than just revenue- it's a credibility stamp that opens doors to enterprise customers and investors.

”

02

How much can the Government procure from startups?

As India moves toward its \$5 trillion economy vision, public procurement has emerged as a strategic lever to support startups. Beyond its administrative role, it serves as a powerful economic tool to drive innovation, generate employment, and strengthen domestic enterprises. By acting as a first buyer, the government can offer startups critical market access and validation. This chapter explores the potential of startup-inclusive procurement, highlights state-led models, and presents policy directions to scale this opportunity nationwide.

2.1 The Government Expenditure Landscape: A ₹88 Lakh Crore Opportunity

India's public procurement stands as a major pillar of government spending, accounting for nearly **25% of the GDP**, amounting to approximately **₹88 lakh crore annually**.

Despite this vast procurement power, the participation of startups in government tenders remains marginal.

This is a missed opportunity not only for startups seeking validation and growth but also for government bodies that could benefit from agile, innovative solutions.



**APPROX.
25%
OF GDP**

A major pillar of government spending



**88 Lakh
Crore
ANNUALLY**



**MARGINAL
PARTICIPATION OF
STARTUPS IN
GOVERNMENT
TENDERS**

Figure 3 - The Government Expenditure Landscape

2.2

Current Status of Startup Procurement



State-Level Procurement Initiatives

- **Rajasthan:** Through its e-Bazaar platform under the iStart initiative, Rajasthan has issued **132 work orders worth ₹25 crores to 476 startups**. This platform enables direct procurement and exempts startups from conventional tendering barriers.
- **Kerala:** The Government as a Marketplace (Gaam) initiative has facilitated 188 procurements totalling **₹17 crores across 141 startups and 147 departments**. The state has also increased the direct procurement ceiling for startups to ₹50 lakhs.
- **Karnataka:** Under its Preferential Market Access (PMA) scheme, the state has empanelled **9 startups** (as of July 2024) and offers exemptions from prior turnover and experience criteria for tenders up to ₹20 lakhs.

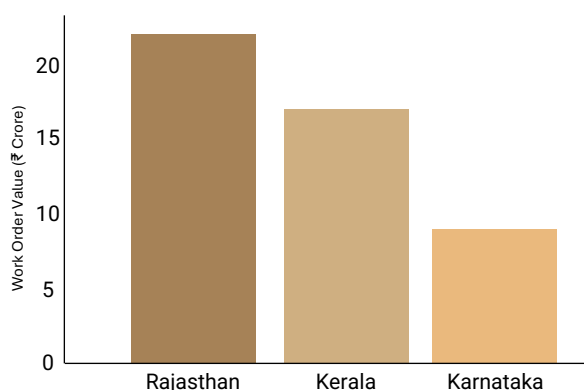


Figure 4: Startup Procurement by State



Aanchal Gupta

Founder & Director, Brand Balance

“

The iStart ecosystem and progressive procurement reforms didn't just open door for us, they created a launchpad for creative disruption in governance. We were able to bring storytelling, design thinking, and digital innovation into the heart of public service delivery.

While a centralized national database for startup-specific government procurement is currently lacking, several Indian states have taken the lead in integrating startups into public procurement frameworks. These initiatives offer scalable models for a national approach.

”

Despite government initiatives to boost startup participation in public procurement, progress remains limited. To address this shortfall, various models have been piloted across states and ministries to streamline startup access to public procurement.

These models collectively demonstrate the potential of startup-inclusive procurement to drive innovation and economic impact. However, national-level coordination and reporting are essential to unlock this opportunity at scale.



Several models are currently being explored to prioritize startup procurement in India:

- 1) **Incubator-led Open Procurement:** Government-supported incubators (50+ across India) are helping startups.
- 2) **Register** on GeM and improve procurement readiness.
- 3) **Challenge-Based Procurement:** Programs like iDEX (Ministry of Defence) and Maharashtra Startup Week enable startups to secure government contracts through innovation challenges.
- 4) **Direct Procurement Mandates:** States like Rajasthan and Tamil Nadu allow direct work orders to startups upto ₹50–75 lakh—mirroring MSME procurement policies.



2.3 Current Status of Startup Procurement

To assess the potential impact of increased government procurement from startups, we examine different allocation scenarios based on India's current estimated public procurement expenditure of approx. ₹88 lakh crore annually (approximately 25% of India's GDP, which stands at ₹355 lakh crore)

Scenario 1: 0.01% Allocation ₹ 888 Crore



This modest allocation would significantly exceed the current procurement levels



Could support hundreds of additional startups with government contracts

Figure 5: Scenario 1

Scenario 2: 0.1% Allocation ₹ 8,882 Crore



Would represent a transformative increase in startup procurement



Could help thousands of startups achieve validation and scale

Figure 6: Scenario 2

Illustrative Scenarios of Startup Procurement from Government Expenditure

Scenario	% of Govt Spend	Value (₹ Cr)
Conservative	0.01%	₹880
Moderate	0.1%	₹8,800
Transformational	1%	₹88,880

Table 4 - Illustrative Scenarios of Startup Procurement from Government Expenditure

(Note- These thresholds (0.01%, 0.1%, and 1%) are chosen to illustrate a range from modest to ambitious targets, reflecting both incremental and transformative policy ambitions. Internationally, countries like the UK have set similar procurement targets for SMEs and startups, making these benchmarks both realistic and aspirational for India.)

Therefore, it is recommended that the government set a phased target for startup procurement, beginning with 0.01% and scaling up to 1% over five years, with annual reviews and public reporting on progress.

Scenario 3: 1% Allocation ₹ 88,882 Crore



This ambitious target would revolutionize the startup ecosystem



Could potentially support tens of thousands of startups across diverse sector

Figure 7: Scenario 3

2.4 Economic Multiplier Effect of Startup Procurement

Public procurement has the power to do more than meet government needs—it can stimulate systemic startup growth and drive long-term economic benefits.

The economic multiplier effect of government procurement from startups is substantial. **For every rupee spent on innovative startup solutions, the economy benefits from increased employment, tax revenue, and technological advancement**

India could adapt these successful models while building on existing initiatives like iDEX, which under the Defence Ministry has granted over ₹25 crores for startups to develop products adopted by the armed forces.



Shraddha Sharma

Founder, YourStory

“

When policy becomes a platform, startups become catalysts. iStart Rajasthan is a powerful example of how government-backed innovation frameworks can translate into real business outcomes. This is the kind of startup-government collaboration India needs, where vision meets execution, and ambition meets opportunity.

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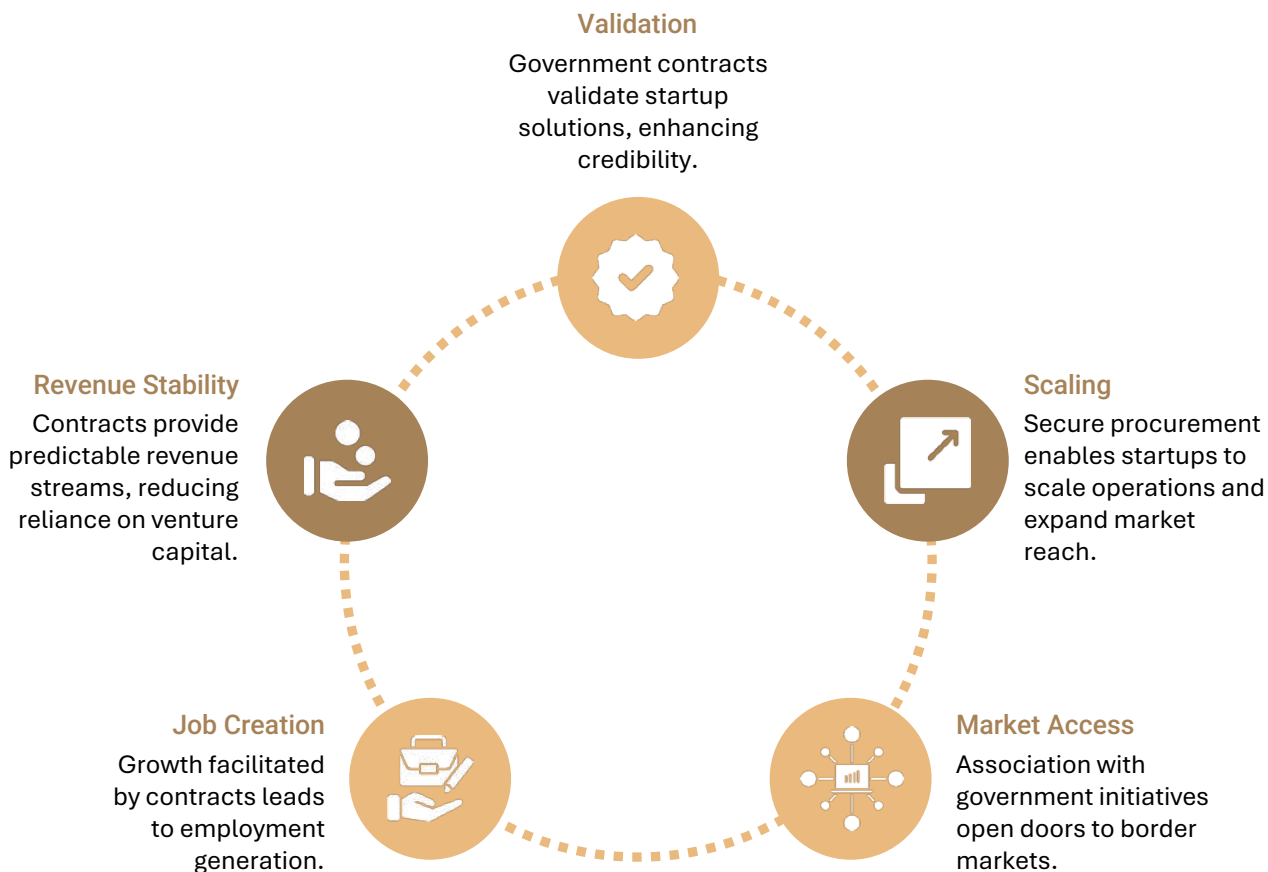


Figure 8: Economic Multiplier Effect of Startup Procurement



03

State-led Procurement Initiatives:

Catalysts for Startup Growth and Economic Transformation

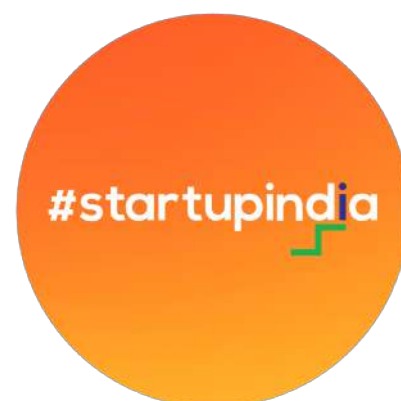
Building on the national models and procurement potential outlined in the previous chapter, this chapter highlights how several Indian states have pioneered reforms to integrate startups into public procurement. These initiatives not only provide startups with crucial market access but also drive regional economic development by fostering innovation, boosting employment, and addressing local challenges through agile solutions.

The **Startup India Ranking Framework 2022** identifies Rajasthan, Gujarat, Kerala, Telangana, Tamil Nadu, and Karnataka as frontrunners in leveraging procurement to strengthen their startup ecosystems. Through tailored reforms, relaxed procurement norms, and sector-specific strategies, these states have created inclusive markets where startups can thrive.

Public procurement plays a vital role in nurturing startup ecosystems, especially in regions where traditional entry barriers to markets are high. By offering easier access to government contracts and reducing bureaucratic hurdles, states are increasingly leveraging public procurement to fuel the growth of emerging businesses.

Public procurement plays a vital role in nurturing startup ecosystems, especially in regions where traditional entry barriers to markets are high. By offering easier access to government contracts and reducing bureaucratic hurdles, states are increasingly leveraging public procurement to fuel the growth of emerging businesses.

The Startup India Ranking Framework 2022 highlights how states like Rajasthan, Gujarat, Kerala, Telangana, Tamil Nadu, and Karnataka have strategically utilized procurement policies to strengthen the startup ecosystem. These state-specific reforms have become significant drivers of innovation and economic growth, particularly for startups, enabling them to access markets that were previously dominated by larger, established players.



3.1 Startup Growth through State-led Procurement

Each of these states has introduced unique initiatives that facilitate public procurement for startups, fostering new business opportunities and economic development. These state-specific procurement reforms have significantly lowered entry barriers and created substantial opportunities for startups, fostering a more inclusive and innovation-driven public procurement ecosystem across India.

State	Key Procurement Policies & Initiatives
Rajasthan	• Explore the tenders under RTPP Act • e-Bazaar Platform • Direct work orders • Sub-contracting allowed • Upto INR 75 lakhs direct procurement given to Startups through QRate Score
Gujarat	• No prior experience, turnover, tender fees, and EMD required for startups in public procurement. • Integrated policies in renewable energy & healthcare sectors
Kerala	• Relaxed procurement criteria • Government as a Marketplace (GAM) initiative • Listing on GAM and e-Bazaar platforms for visibility
Karnataka	• Preferential access in public procurement targeting 10% from startups • Platform for startups to pitch directly for government contracts
Tamil Nadu	• Relaxations for public procurements below INR 20 lakh • Direct procurement up to INR 50 lakh allowed from startups

Table 5- Startup Growth through State-led Procurement



State	Current Status of Work Order
Rajasthan	Over 132 startups awarded work orders worth INR 25+ Crore
Gujarat	300+ startups supported through government tenders
Kerala	Over 141 startups awarded work orders worth INR 28+ Crore
Karnataka	Over 60 startups awarded work orders worth INR 0.49 Crore
Tamil Nadu	Over 5 startups awarded work orders worth INR 0.54 Crore
Telangana	Over 10 startups awarded work orders worth INR 1 Crore

Table 6 - Current Status of Work Order

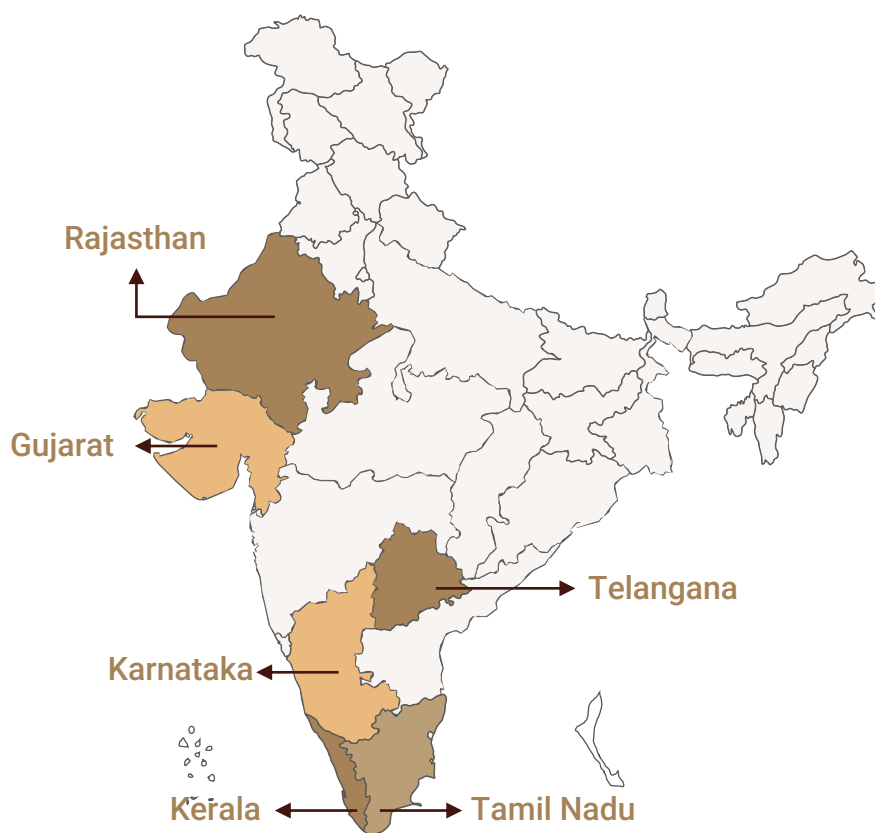


Figure 9 - Current Status of Work Order

3.2 State Sector Focus and Key Initiatives

Each state has focused on specific sectors, leveraging their unique strengths to bolster the startup ecosystem. Through targeted initiatives and strategic policymaking, these states have created an environment where startups are well-equipped to thrive.

By aligning their economic strengths with targeted initiatives, these states have not only catalyzed industry-specific growth but also reinforced their leadership in national and global markets.

State	Current Sector Focus	Key Initiative & Impact
Gujarat	Renewable Energy	Established the Charanka Solar Park, one of Asia's largest, promoting sustainable energy and generating employment. Positioned as a leader in clean energy adoption.
Kerala	Tourism and Healthcare	Promoted Ayurvedic Tourism, integrating traditional healthcare with tourism. Boosted the economy and preserved cultural practices.
Tamil Nadu	Automotive Manufacturing	Known as the "Detroit of Asia", especially Chennai. Attracted major automobile companies, driving industrial and economic growth.
Karnataka	Biotechnology and Startups	Focused on advancing biotech innovation and startup ecosystems, fostering R&D, and attracting investments in cutting-edge sectors.

Table 7 – State Sector Focus and Key Initiatives



State	Current Focused Sector
Rajasthan	Fintech, Edtech, E-Commerce, IT services, Healthcare and Lifesciences
Gujarat	Renewable Energy
Kerala	Tourism and Healthcare
Karnataka	Biotechnology and Startups
Tamil Nadu	Automotive Manufacturing
Telangana	Information Technology

Table 8 – Current focused Sectors

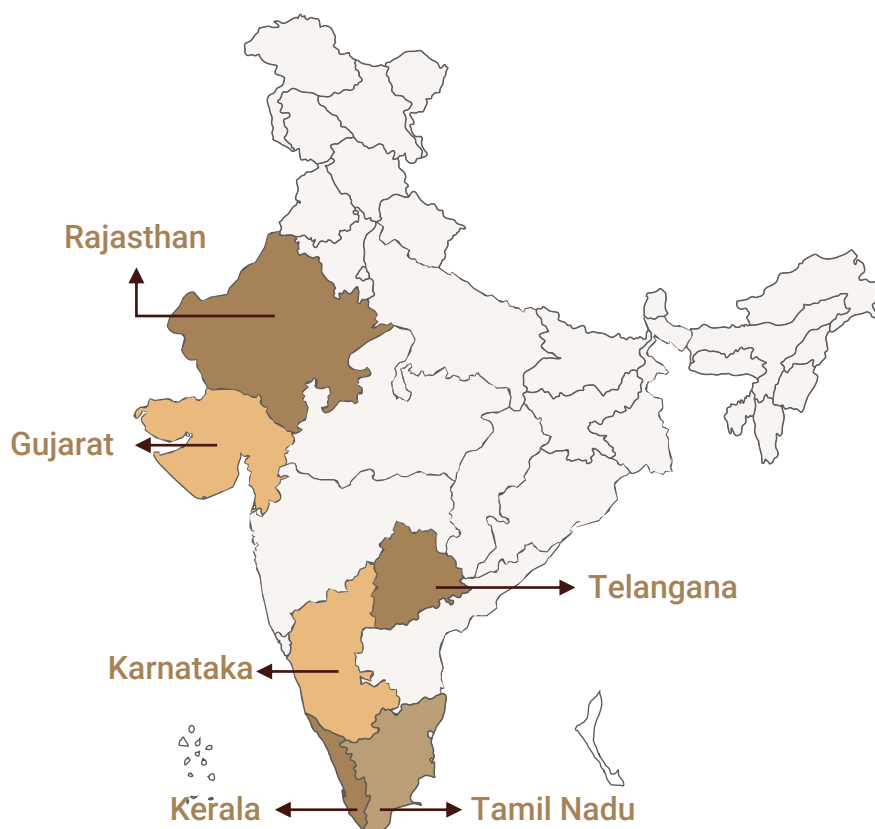


Figure 10 – Current focused Sectors

3.3 From Vision to Victory: Impact of Transformation, Then vs. Now

These states' transformations are powerful examples of how strategic policy implementation can reshape regional economies and elevate their global competitiveness.

These transformation journeys emphasize the value of visionary governance in catalyzing startup-driven growth and economic resilience. By focusing on their respective economic strengths and aligning policies to promote innovation, these states have set a benchmark for others to follow.

The strategic policies and procurement reforms implemented by Rajasthan, Gujarat, Kerala, Telangana, Tamil Nadu, and Karnataka highlight the critical role of government support in fostering startup ecosystems.

By reducing entry barriers, providing direct access to government contracts, and focusing on sector-specific strengths, these states have positioned themselves as leaders in driving economic transformation through innovation and entrepreneurship.

The success stories from these states offer valuable insights into how public procurement can serve as a launchpad for startup growth, creating a ripple effect that enhances market access, credibility, financial stability, and employment generation.

These initiatives not only pave the way for future growth but also serve as a model for other states to replicate, reinforcing the importance of public procurement in India's journey toward becoming a global startup hub.

State	Before Transformation	After Transformation
Gujarat	Reliance on conventional energy sources	Leadership in renewable energy with projects like Charanka Solar Park
Kerala	Traditional tourism without specialized focus	Integration of healthcare and tourism, leading to global recognition in Ayurvedic tourism
Telangana	Limited IT infrastructure and investments	Emergence as a global IT hub with significant investments from multinational companies
Tamil Nadu	Predominantly agrarian economy	Diversified industrial base with a strong automotive manufacturing sector
Karnataka	Limited presence in high-tech industries	Establishment as a biotechnology and startup hub, fostering innovation and entrepreneurship

Table 9 - Impact of Transformation, Then vs. Now



Dharamveer Singh Chouhan

Co-Founder, Zostel

“

Startups don't ask for handouts—they ask for fairness. The biggest barrier isn't capital; it's inconsistent policy interpretation and outdated eligibility norms. When states shift from gatekeeping to enabling, even risk-heavy sectors like tourism and hospitality can thrive through innovation. Procurement reform isn't just administrative—it's foundational. It signals that the government sees startups not as vendors, but as partners in reimagining public value

”

04

Rising Rajasthan:

A State-Led Blueprint for Startup-Driven Innovation and Inclusive Growth



Rajasthan's transformation lies in its ability to redefine the role of government, not just as a regulator or enabler, but as an early adopter and buyer of startup-driven solutions. Through initiatives like **e-Bazaar**, tailored procurement policies, and the landmark amendment to the **RTPP Act**, the state has created a direct line between public challenges and entrepreneurial innovation.

While the national-level **Government e-Marketplace (GeM)** has made significant strides—supporting over **398,000 buyers**, with **₹94,265 crore** in orders in current FY. Rajasthan has created a **more localized and startup-centric procurement model**. The **e-Bazaar platform**, launched under the **iStart Rajasthan initiative**, has already facilitated ₹25.4 crore worth of work orders to over **476 sellers**, proving to be a vital procurement and visibility engine for early-stage ventures.

Comparatively, while GeM provides a broad, centralized channel for procurement, **Rajasthan's approach is more focused, enabling state-based startups to bypass legacy challenges like excessive paperwork, high experience thresholds, and limited access to tenders.**

4.1

Procurement as A Solution

Rajasthan has undoubtedly made significant strides in establishing itself as a hub for innovation, particularly through its progressive governance and forward-thinking policies. Recognizing the untapped potential of startups as catalysts for solving real-world challenges, the Rajasthan government is increasingly shifting from being just a facilitator to becoming a strategic buyer of innovative solutions.

By integrating startups into the procurement ecosystem, the government is not only supporting new ventures with critical early revenue but also embedding innovation into public service delivery.

At the heart of this transformation lies the national level initiative **Government eMarketplace (GeM)**, a centralized digital procurement portal for government ministries and departments, and the most widely used channel for public procurement in India.

The Government e-Marketplace (GeM) continues to demonstrate strong performance, with **398,606** registered buyers and a wide array of **11,114** product and **340** service categories. So far this financial year, the platform has processed **1,430,786 order volume**.

Beyond the national platform, several Indian states are emerging as pioneers by embedding startup-friendly frameworks into their regional procurement ecosystems.

In the same lines, **Rajasthan** is another state that has taken a significant leap through its **e-Bazaar** platform, launched under the **iStart Rajasthan** initiative by the Department of Information Technology & Communication (DoIT&C). The platform provides startups and MSMEs direct access to government buyers through a catalog-based procurement system.

Benefitting **476 sellers** with **132 LOIs/Work Orders**, worth **INR 25.4 crores**, this initiative is helping early-stage startups secure vital government contracts while strengthening the state's innovation ecosystem in harmony with national efforts.

When compared to the Government e-Marketplace (GEM) or other national level platforms, the e-bazaar initiative under Rajasthan Startup Policy 2022 offers a more localized focus. While GEM caters to national procurement, the Rajasthan Startup Policy focuses on creating opportunities for state-based startups, ensuring they have easier access to government tenders and a more collaborative approach with established businesses.

State	Startup Initiative	Key Features of the Initiative
Karnataka	Startup Karnataka	- Preferential Market Access (PMA) - Mandates 10% of government procurement from startups, ensuring direct access to government contracts.
Tamil Nadu	Tamil Nadu Startup and Innovation Mission (TANSIM)	- Eliminates structural barriers in tenders - Focuses on creating equal opportunities for startups by relaxing conventional eligibility norms
Kerala	Kerala Startup Mission (KSUM)	- Startup-first procurement approach

Table 9 - Other States Initiatives

4.2 iStart Rajasthan: Empowering Startups Through Smart Procurement

iStart Rajasthan program is a key initiative by the Government of Rajasthan designed to promote innovation, entrepreneurship, and the development of a robust startup ecosystem within the state. The program is transforming the socio-economic landscape by promoting inclusivity, job creation and supporting diverse startups across the state.

A significant aspect of iStart Rajasthan is its integration with e-procurement through a digital platform called e-Bazaar, for which a ₹25 crore corpus fund has been allocated to facilitate direct procurement and work orders for startups. e-Bazaar plays a vital role in enabling startups to showcase and sell their products and services online, providing them with broader market access and procurement opportunities through direct work orders of up to ₹75 lakhs, eliminating the need for the traditional tendering process.

This combination of innovation support and digital procurement has come into existence, since the inception of Rajasthan Startup Policy 2022. The key features include simplified processes for registration, approvals, and permits, reducing the bureaucratic burden on new ventures. The Rajasthan Transparency in Public Procurement (RTPP) Act plays a crucial role in enabling startups to access government contracts and public procurement opportunities. Rajasthan is the first state in India to amend the RTPP Act, allowing startups to directly bid for government contracts, including those previously reserved for established companies. This landmark change ensures a level playing field, promotes fair competition, and opens up new avenues for startups to grow through participation in public sector projects



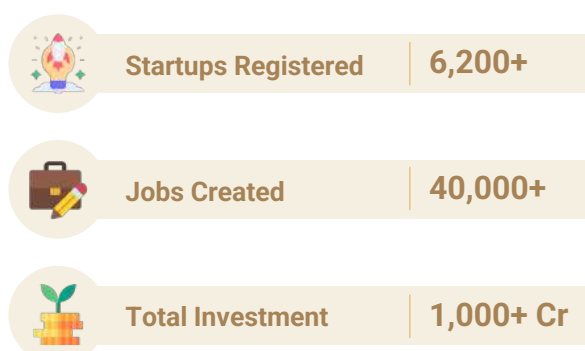
Rishabh Sharma

Founder, MTAT (iStart Rajasthan)

“

Before iStart, MTAT had potential but limited pathways. After iStart, we gained access to real work orders, direct procurement, and institutional trust. It didn't just open doors—it unlocked a new chapter of credibility, growth, and scale

”



iSTART

Figure11 - iStart Updates

e-Bazaar & e-Procurement Integration



Digital Marketplace
for startups



Work Orders
up to ₹75
lakhs – no
tendering
needed



**Transparent
& efficient
procurement
process**



**Real-time
tracking of
orders &
payments**



**Promotes
local
businesses &
reduces red
tape**

The policy also encourages subcontracting to startups. This provision not only enables larger firms to subcontract portions of their government contracts to startups, promoting growth and innovation in the startup sector, but also integrates startups into supply chains, allowing them to scale through government-backed projects.

Another initiative to catalyze innovation and support startups in addressing key societal and governance challenges across the state is the **Rajasthan Innovation Awards**. This dynamic platform is designed to inspire out-of-the-box thinking by inviting startups to propose innovative solutions to problems identified either by various government departments or through self-determined problem statements aligned with priority sectors such as agriculture, education, fintech, healthcare, SaaS, Industry 4.0, green technologies, and emerging sunrise sectors.

As a direct outcome of this challenge-driven approach, the government has already awarded a total of **INR 6.1 crores** to **11** outstanding startups.

A newly introduced initiative in Rajasthan's Budget 2025, **Atal Innovation Awards**, also aims to recognize individuals and startups that are creating meaningful, real-world impact through innovative solutions particularly in the AVGC-XR sector.



**Department
& office
registration**

Department/Organization sends request to:
helpdesk.ebazaar@rajasthan.gov.in
Provide: Dept/Office Name, Address, GST (if any), SSOID of Primary User Post-Approval: Admin registers, Primary User logs in at ebazaar.rajasthan.gov.in



**Buyer
Registration**

Primary User → B2G Services → Buyer List
View/Add Secondary Buyers (Optional) Transfer Primary User rights



**LOI
Placement**

Buyer → B2G Services → Place LOI
Search Product/Service
Enter: Quantity, Cost, Response Date, T&C/Scope (if any), Delivery Address, Place & Save LOI



**Work Order
Issuance**

Check LOI status: Accepted
Generate Work Order: Delivery Date, Contract End Date, Upload T&C (if any)
Submit Work Order



**Work
Progress
Verification**

Check Work Progress Entries
Accept/Reject milestones
Mention reason for rejection (if any)



**Payment
Entry**

Go to Payment Process
Update Payment: Paid Amount, Mode, Date, Bank Details, UTR, Penalty/TDS (if applicable)
Save Payment

Figure 12: Streamlining Government Procurement through Rajasthan e-Bazaar's B2G Services



Amit Purohit

Vice President, Primus Partners

“

With progressive policy support, digital integration, and reduced entry barriers, public procurement can deliver revenue stability, investor confidence, and new market opportunities, especially in India's emerging regions. Rajasthan's e-Bazaar has shown what's possible when governments shift from facilitators to customers, turning public demand into a game-changing growth platform for startups beyond the metros.

”



4.3 The Rajasthan Playbook: Government Support Done Right

The state has positioned itself as a leader in building a startup-friendly ecosystem by reforming its public procurement and innovation strategies. A key pillar of this transformation is the state's overhaul of traditional tendering processes, which previously limited access for small and emerging businesses. By introducing **progressive tendering** mechanisms, the government has reduced bureaucratic barriers, simplified documentation, and eased upfront financial requirements—enabling startups to compete fairly with larger, established firms.

Recognizing the challenges startups face in meeting conventional **qualification criteria**, Rajasthan has tailored its standards to be more inclusive. By relaxing rigid technical and financial thresholds, the state ensures that innovation and potential are prioritized over experience or capital strength.

Rajasthan also places strong emphasis on **inter-departmental collaboration** to drive innovation across sectors such as agriculture, health, education, and urban development. Under the Rajasthan Startups and Innovation Policy 2022, the government actively facilitates partnerships between startups and state departments to co-create scalable solutions to local challenges. This approach not only accelerates real-world testing and implementation of innovative ideas but also strengthens public-private collaboration through Public-Private Partnership (PPP) models.

Rajasthan's Innovation Driven Ecosystem

Key Government Initiatives Empowering Startups

Progressive Tendering Processes



Simplified Document

Reduce red tape
paperwork



Lower Financial Barriers

Reduced
upfront
payment
requirements



e-Tendering Platforms

Transparent
and efficient
online bidding



Equal Opportunity

Level playing
field for startups
and SMEs

Startup-Friendly Qualification Criteria



Relaxed Eligibility Norms

Less
Emphasis
on capital &
experience



Innovation-First Evaluation

Focus on
potential,
creativity and
scalability



Tailored Technical/ Financial Criteria

Especially
designed for
startups



Recognition-Based Model

Prioritizing
impact over
legacy

Inter-Departmental Collaboration



Cross-Sector Engagement

Partnerships
across health,
agriculture
and urban
planning



Public-Private Partnerships (PPPs)

Startups
collaborate to
develop
solutions for
state-
specified
challenges



Innovation & Tech Hubs

Bridging the
gap between
government,
industry and
academic
institutions



Rajasthan Startup Policy 2022

Encourages
collaboration
by creating
avenues for
government
partnerships

Figure 13 - Rajasthan's Innovation Driven Ecosystem

4.4 What Departments Can Do to Make Procurement Work for Startups

To position government departments as active enablers of India's innovation economy, a structured approach to startup procurement is essential. Startups bring agility, localized solutions, and disruptive technology—but require calibrated processes to participate effectively. The following guidelines aim to equip government departments to procure from startups with compliance, efficiency, and strategic alignment.



Institutionalize Startup Procurement Mandates

- Integrate departmental procurement targets (e.g., 3–5%) for startups as a subset of existing MSME mandates under the Public Procurement Policy for MSEs, 2012.
- Align startup onboarding with Annual Procurement Plans (APPs) and issue annual Expressions of Interest (EOIs) targeting DPIIT-recognized startups.



Activate Exemption Mechanisms under GFR & RTPP Rules

- Operationalize GFR Rule 173 and applicable state rules (e.g., Rule 20A of Rajasthan's RTPP Rules) to:
 - Waive prior turnover and experience requirements for DPIIT-recognized startups.
 - Allow exemption from EMD and performance security for low-risk contracts.

- Document exemptions with reasoned justifications in procurement files for audit compliance.





Adopt Multi-Tiered Procurement Pathways

Enable diverse procurement routes based on contract value and innovation stage:

Procurement Mode	Suitable For	Value Range	Example Instruments
Direct Procurement	Proven, low-value innovations	₹0– 1.5 Cr	QRate-certified startups (e- Bazaar)
Limited Tender	Niche solutions with few vendors	₹25L–1Cr	GeM direct + Startup India platform
Challenge-Based Procurement	Concept-stage, problem-solution fit	Open	Innovation Challenges, Hackathons

Table 10: Multi-Tiered Procurement Pathways





Create a Startup Procurement Registry and Repository

- Develop a department-level Startup Vendor Registry, mapping solutions to service areas (e.g., AgriTech, Urban Innovation, HealthTech).
- Maintain a live repository of:
 - Procurement-ready startups
 - Pilot-tested innovations
 - Past performance case studies



Strengthen Startup Engagement through Reverse Pitches & Open Days

- Host Reverse Pitch Sessions bi-annually to present department challenges to the startup ecosystem.
- Organize Open Innovation Days for curated startup demos aligned with departmental missions.
- Collaborate with Startup India, MeitY Startup Hub, or state SSIMs for targeted outreach.



Institutionalize Time-Bound Disbursements & Escalation Framework

- Adhere strictly to Section 43B(h) - mandating payment to startups within 45 days.
- Create a grievance redressal mechanism or Payment Delay Escalation Matrix with accountability tiers (Directorate > HOD > Finance).



Build Internal Capacity for Agile Procurement

- Train procurement officers through DoPT, IIPA, or STPI modules on:
 - Startup evaluation (techno-commercial)
 - Risk-mitigation for first-time vendors
 - Legal defensibility of exemptions

By codifying these measures, departments become co-architects of India's startup transformation - ensuring public value, policy foresight, and economic inclusion converge through procurement.



Mahavir Pratap Sharma

(General Partner, Swishin Ventures &
Founder, Rajasthan Angel Innovator
Network) – sectors of startups

“

Post-PoC, the most critical milestone is revenue validation. Government procurement offers this along with assured credibility. With Section 43B(h) mandating payments within 45 days, startups benefit from timely cash flow and reduced receivable stress—addressing both validation and liquidity challenges in one stroke.

”

05

Voices From The Ground:

Insights Into Public Procurement

To understand the startup ecosystem's interaction with public procurement, a focused survey was conducted with iStart-registered startups that received government work orders, and selected investors. The aim was to examine the perceived opportunities, bottlenecks, and transformational impact of government contracts, particularly in terms of financial viability, market credibility, and job creation.

This survey includes findings, experiences of startups and gathered investor insights to assess the credibility boost, market traction, and investment appeal government contracts provide.



Survey Sample and Analysis Framework

The startups surveyed were recipients of one or more government work orders under the iStart Rajasthan initiative. Responses were categorized into key areas:

- **Market Access & Credibility** - Winning government tenders enhance a startup's reputation, building trust and opening doors to larger business opportunities.

- **Financial Growth** - Procurement contracts provide a steady revenue stream, helping startups achieve financial stability and long-term scalability.

- **Employment Generation** - Procurement-driven growth enables startups to expand operations, creating new jobs and boosting the local economy.

Major Growth areas after procurement can be seen in Market Access(60%), Financial Growth(45%) and Employment generation(142%).

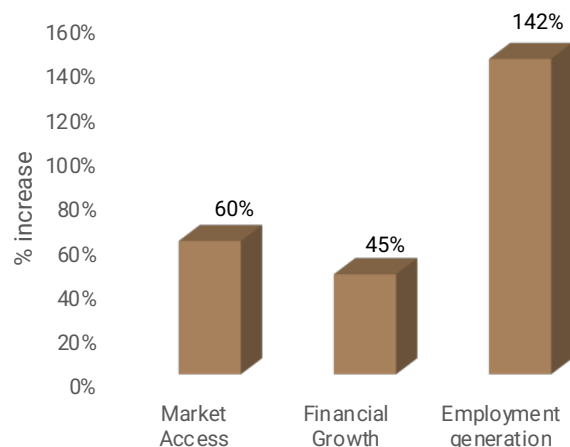


Figure 14: Major Growth Areas after Procurement



Anuj Ahuja

Founder, StudyBase

“

Government contracts offer invaluable brand visibility, scalability, and market trust. Yet, for startups and businesses, navigating the maze of bureaucracy, eligibility and payment delays can take years

”

5.1 Sectoral Distribution of Startups Engaged in Public Procurement

The startup ecosystem reflects diverse sectors, with a strong inclination towards creative and digital sectors (AVGC and IT Services). However, there is also significant presence in traditional and impact-driven sectors like AgriTech, Renewable Energy, and Handicrafts - suggesting a blend of innovation and grassroots relevance.

- **AVGC (Animation, Visual Effects, Gaming, and Comics)** leads the startup landscape, comprising the largest share at **38%**.
- **IT Services** follow closely, making up **27%** of the startups working in different sectors like Cloud services, Network and server management, system integration, web development, software development, hardware installation, ERP services, Application of AI/ML, Industrial IoT solutions etc.
- **Agri-Tech, Handicrafts, and Renewable Energy** are equally represented, each accounting for **8%**.
- **EdTech** forms **7%** of the startup pool.
- **MedTech** represents the smallest share at **4%**.

This diversity indicates potential for targeted policy support and procurement opportunities across a wide spectrum of sectors.

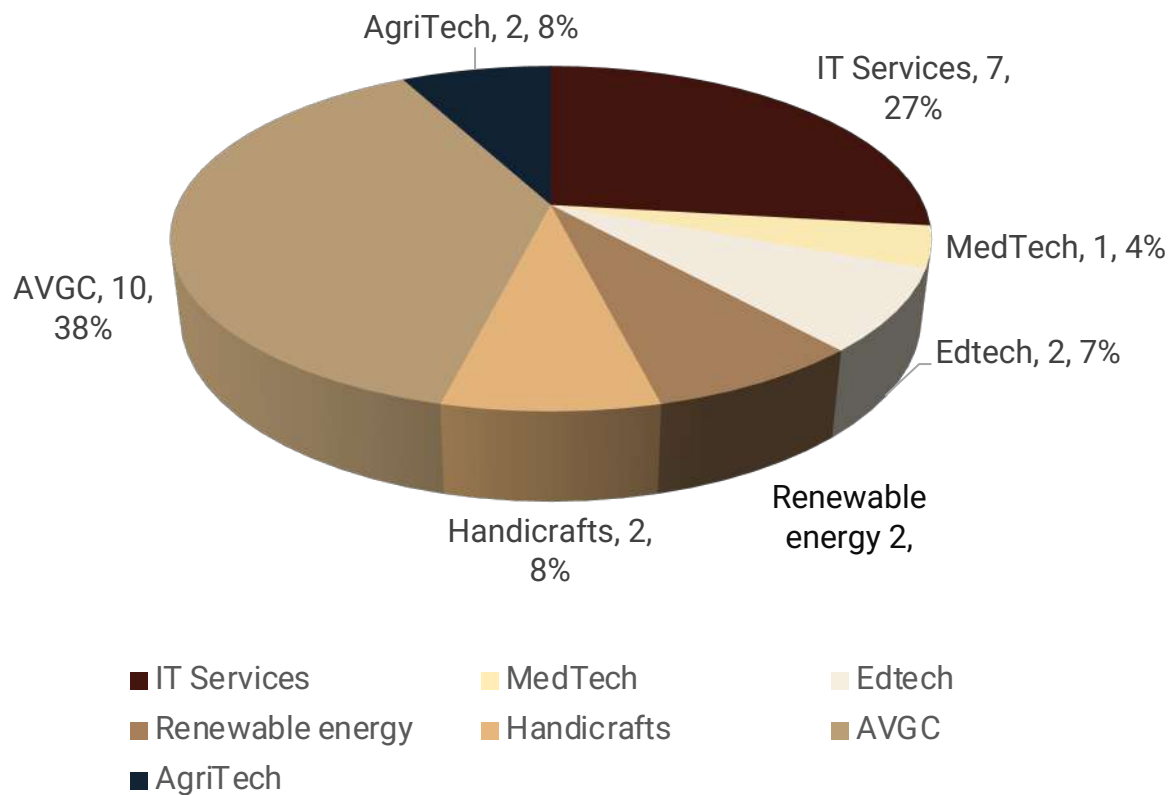


Figure 15: Sectoral Distribution of Startups



5.2 Key Challenges Faced by Startups Prior to Work Order

The data highlights the primary obstacles startups encounter before successfully engaging in public procurement. The most cited challenges were “Meeting the eligibility criteria” and “Finding suitable business opportunities,” both faced by 26% of the surveyed startups. This suggests a significant bottleneck in startups aligning with complex entry requirements and accessing relevant tenders. Navigating the application process posed difficulties for 23% of startups, while 8% struggled with documentation and 4% with technical eligibility. Notably, 12% of startups reported no challenges, indicating that some businesses may already be well-aligned with procurement prerequisites or had prior experience in such processes.

Startups face key hurdles before securing government work orders—27% cite eligibility criteria and finding opportunities as major challenges, followed by 23% struggling with the application process. Documentation (8%) and technical specs (4%) were fewer common issues, while 12% reported no challenges.

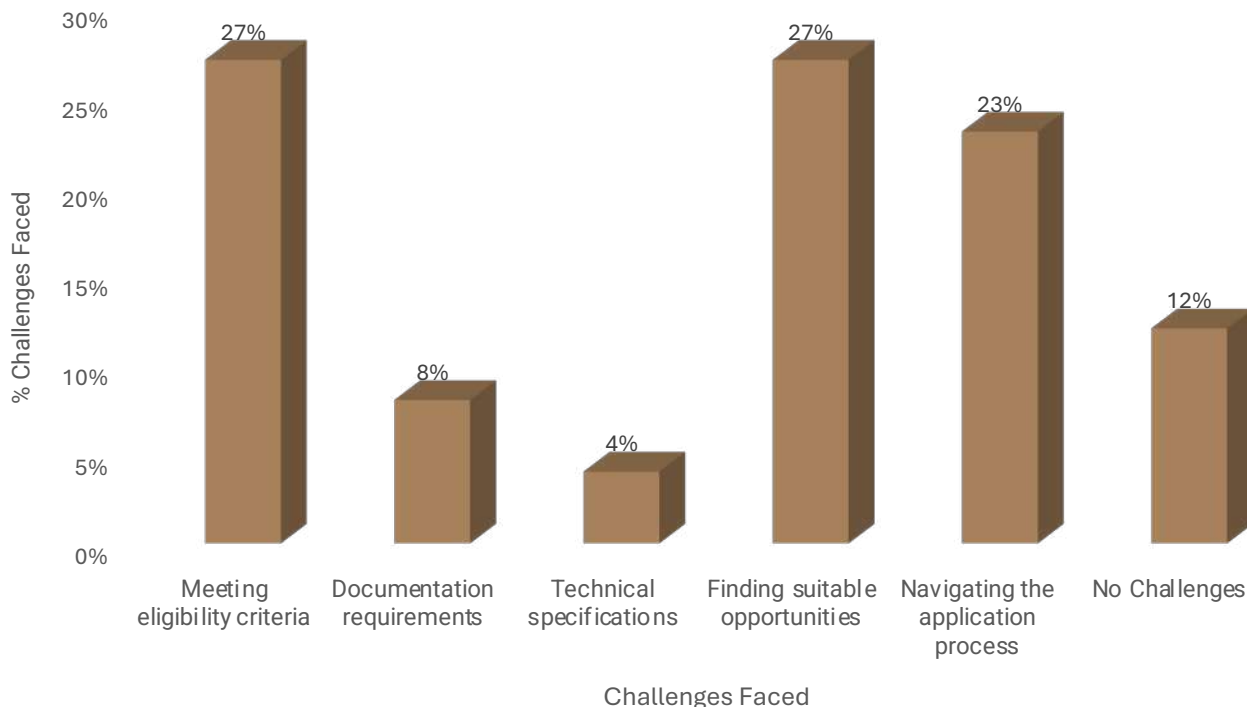


Figure 16 - Key Challenges faced by Startup's prior to Work Order



Procurement Challenges



Complex Compliance Requirements

Navigating intricate legal, regulatory, and documentation requirements can be overwhelming for early-stage startups.



Lengthy Approval and Payment Cycles

Delayed tender evaluations and slow disbursal of payments affect cash flow and operational planning



Limited Awareness of Opportunities

Startups often lack access to timely information about relevant tenders or procurement programs



Difficulty in Meeting Eligibility Criteria

Many tenders have preconditions like years of operation, turnover, over past experience that startups may not fulfill.



Lack of Procurement Readiness

Startups lack experience in preparing detailed proposals, pricing strategies, or quality certifications.



Limited Feedback Mechanisms

When bids are rejected, startups often do not receive actionable feedback to improve future proposals



Unfavorable Risk Perception

Startups are often being perceived as risky or unproven compared to established vendors.



Challenges in Scaling for Large Orders

Winning a big order may strain a startup's capacity to fulfill it within the given timeframe or standards.

Figure 17 - Procurement Challenges

5.3 Distribution of Government Work Orders

Work order distribution indicated that:

According to the data, while 8% of startups had not received any work orders, a majority—38%—secured at least one, with 23% obtaining two. A smaller proportion achieved higher figures, with only 4% receiving as many as 12 work orders, highlighting a gradual but promising trend in procurement engagement among startups.

The distribution of work orders among startups surveyed shows varying levels of public procurement:

76% of startups received between **1 to 3 work orders**, this reflects that most of the startups are in the early stages of working with the government, **indicating initial, limited engagement**, possibly pilot projects or smaller assignments to begin building trust and experience in the public sector.

19% of startups were awarded **4 to 6 work orders**, showing a deeper level of involvement with the government. These startups must have **proven their reliability and capability** through completion of earlier projects and therefore trusted with more assignments.

Out of all startups surveyed only **3%** received between **10 to 12 work orders**, indicating a very high level of trust and **continued collaboration with the government**. Indicating they must have demonstrated strong performance and built lasting relationships within the public procurement system.

Overall, while most startups are still in the early stages of working with government entities, a smaller percentage are establishing themselves as consistent and reliable vendors in the government sector.

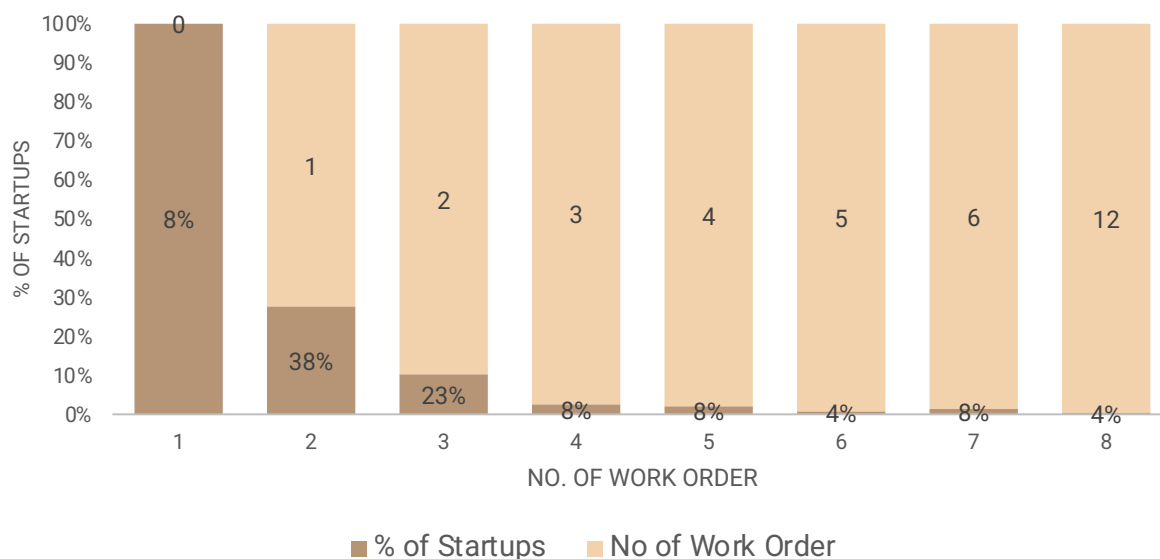


Figure 18: Work Order Received by Startups

5.4 Impact of Government Contracts on Business

5.4.1 Access to New Markets and Credibility

Government Work Orders have significantly contributed to startups' ability to access new markets and build credibility. According to the survey:

- 30% of startups reported a significant increase
- 30% of startups saw a moderate increase
- 15% of startups experienced slight improvement
- 23% of startups observed no change.

This analysis shows that around 76% to 84% of startups surveyed noticed improvements in business visibility and their ability to reach new group of customers after receiving government procurement support.

Working with government clients also helped these startups build more trust and credibility, further strengthening their position in competitive markets.

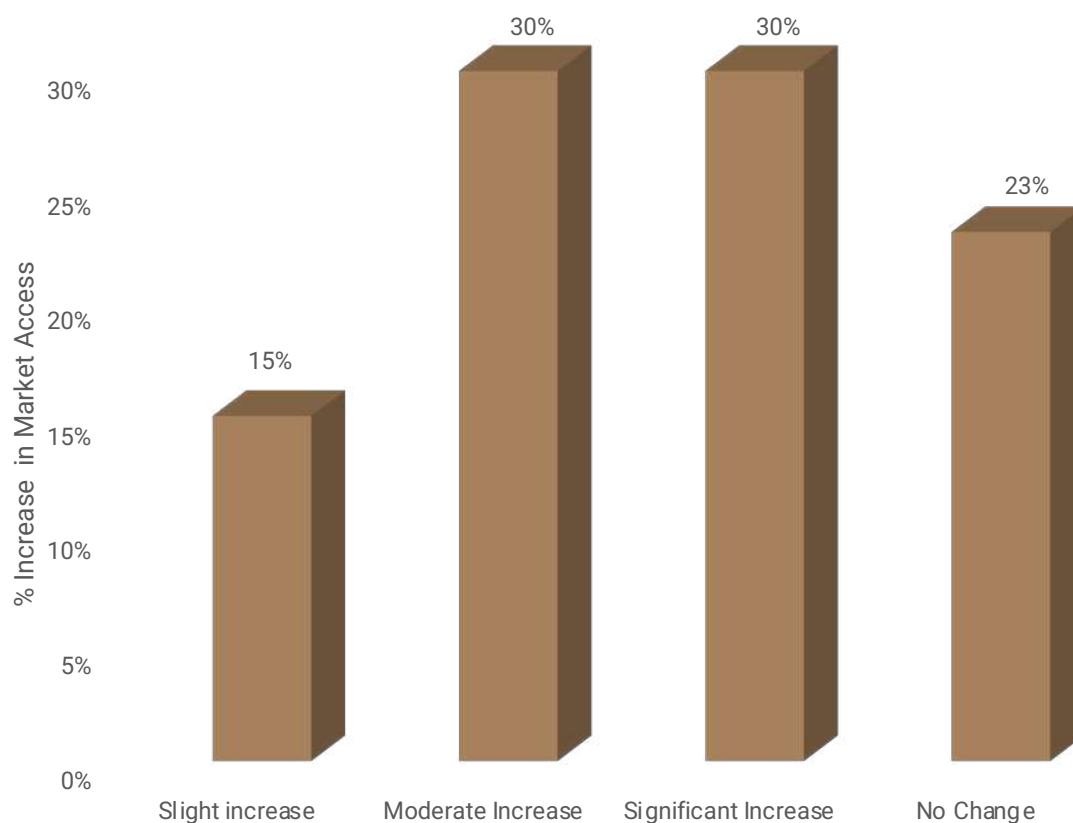


Figure 19: New Market Access and Business Credibility Post Procurement

5.4.2 Growth in Revenue Post Procurement

Among the surveyed startups, the revenue growth of startups has been recorded at a maximum of 100%. Furthermore,

An analysis of employment impact among startups reveals that while a few reported modest gains—such as a 5% to 20% increase—several demonstrated significant growth, with six startups doubling their workforce (100% increase) and others achieving even higher employment surges of up to 200%, showcasing the substantial job creation potential within the startup ecosystem.

The revenue growth trajectory of startups after receiving government work orders directly correlates with positive business outcomes, serving as a launchpad for sustainable expansion.

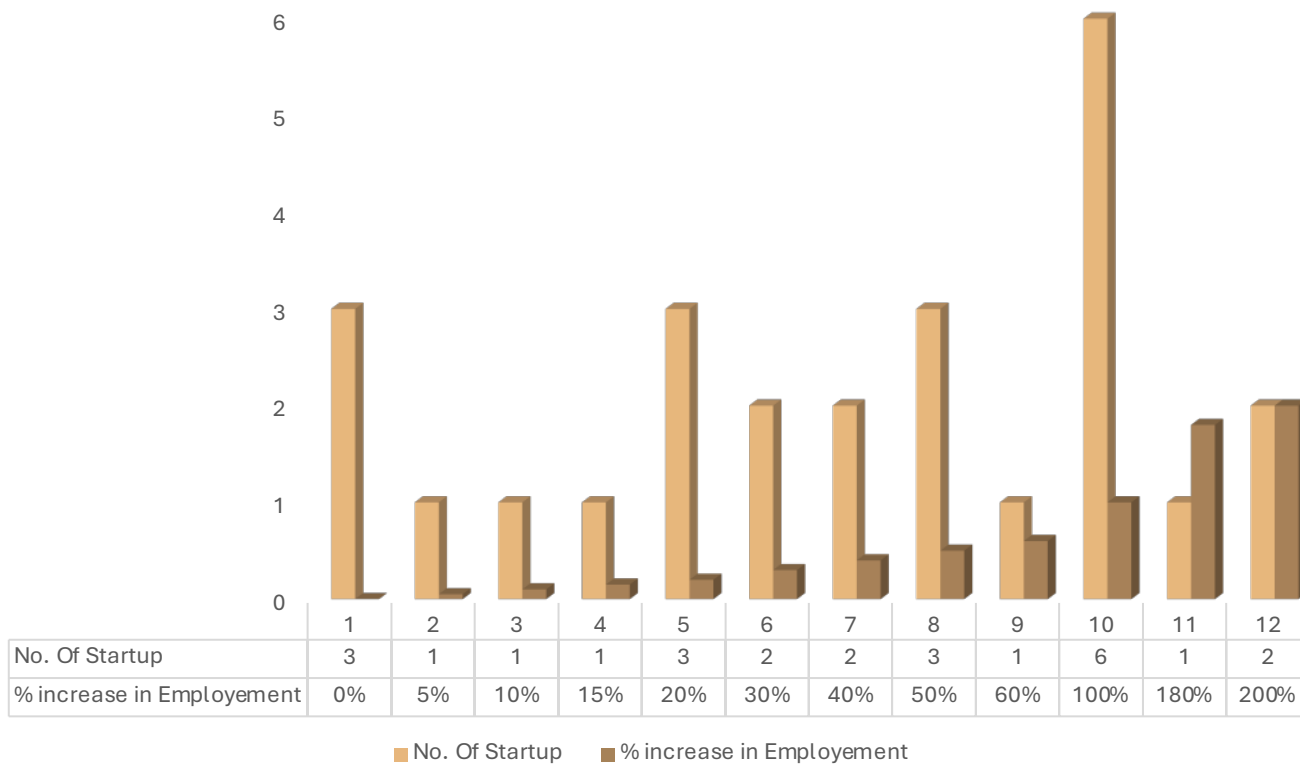


Figure 20: Revenue Growth Trajectory of Startups Post Procurement

5.4.3 Financial Growth Potential

In some cases, the financial growth observed is exponential. Out of 25+ surveyed startups,

- The highest recorded financial growth of any startup is at a maximum of 3500%.
- Most startups averaged around 50% financial growth.

The trend indicates that while all startups benefitted financially, some experienced hyper-growth due to effective scaling post Work Order.



Nitin Gupta

Co-Founder, Handpickd

“

For us at Handpickd, a government work order wasn't just a contract — it was momentum. It helped us cut through inertia and shift from reactive execution to strategic problem-solving. More than scale, it changed our mindset. When structured mentorship and public trust meet private agility, startups evolve from idea builders to nation builders

”

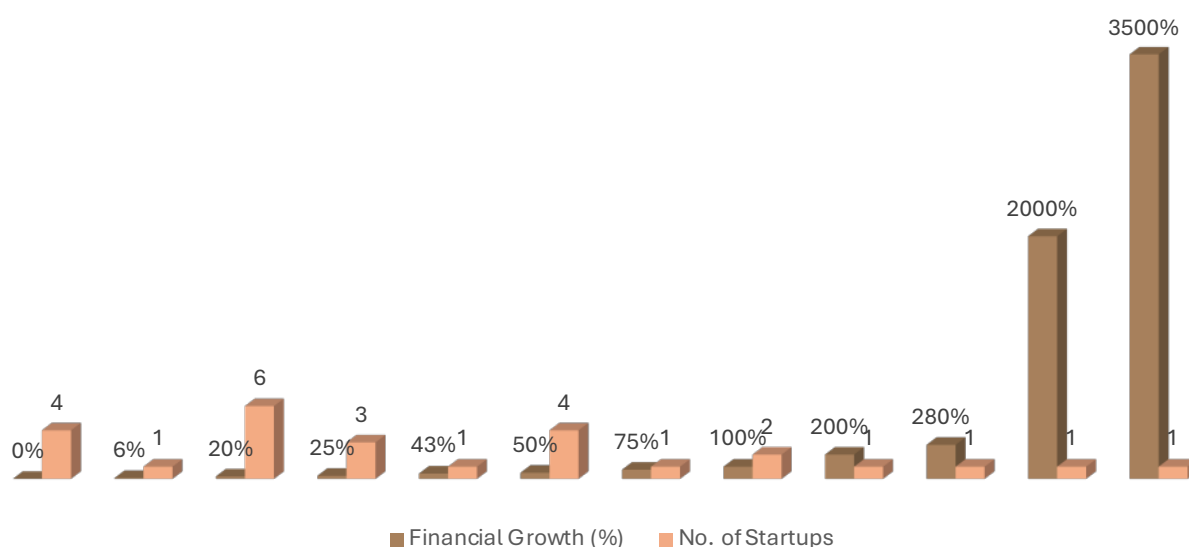


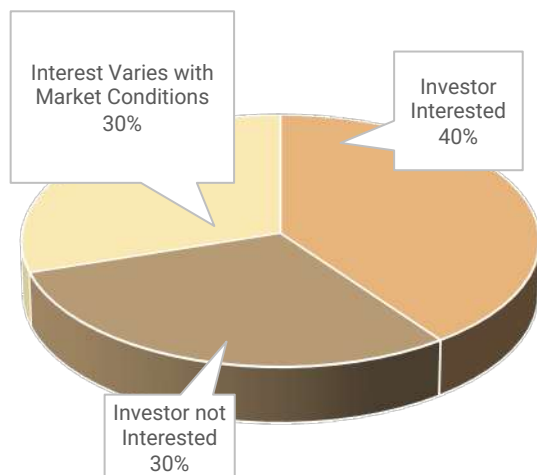
Figure 21: Financial Growth of Startups (%)

5.4.4 Investment Interest Post Procurement

With increased visibility and credibility, investor interest has also seen a shift:

- 40% witnessed increased investor interest
- 30% saw conditional interest

This reaffirms that public procurement enhances startup credibility in the eyes of investors, making startups more attractive for private investment.



- Investor Interested
- Investor not Interested
- Interest Varies with Market Conditions

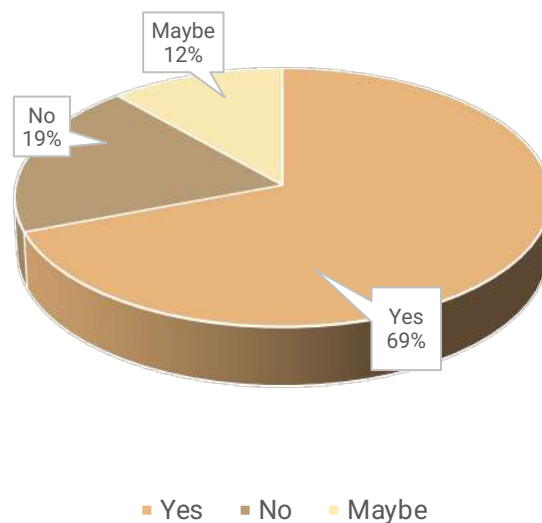
Figure 2 2: Investors Interest after Work Order

5.5 Access to Additional Working Capital

Startups traditionally face challenges in accessing working capital, especially in their early stages. Government Work Orders have enabled them to leverage improved market credibility to seek funding from multiple sources:

- Banks
- Venture Capital firms
- Angel Investors

This has eased liquidity constraints and allowed startups to plan for expansion and fulfil larger orders.



- Yes
- No
- Maybe

Figure 23: Additional Working Capital



Prachee Gaur

Founder, Remarkable Education

“

Government procurement now accounts for 40% of our business, with key orders from platforms like GeM and E-Bazaar, including NIFT and the Government of Rajasthan. Our alignment with NEP 2020, PM SHRI, and skilling programs has strengthened our credibility, while large-scale projects like the 66 Launchpads showcase our execution capacity. Strategic partnerships with leading ed-tech providers ensure quality delivery at competitive rates. Procurement has boosted our turnover by 50% and enabled job creation, with 50% of staff hired during this growth.

”



5.6 Employment Generation

Government procurement is not just a revenue stream for startups - it is also a significant catalyst for job creation. The graph provides compelling evidence of how access to public contracts has directly influenced startup hiring patterns. Out of 26 surveyed startups that received government work orders:

- 65% of the startups increased their workforce by up to 71%
- 23% of the startups saw employment growth between 71–142%
- 11% of the startups achieved over 142% employment growth

The graph vividly illustrates a significant surge in employment numbers across multiple startups after receiving government work orders. Startups that initially had small or moderate teams scaled up rapidly, with some nearly tripling their workforce.

Startups that secured government work orders demonstrated exponential employment growth, with nearly one-third expanding their teams by over 70%. This underscores the role of public procurement as a powerful economic multiplier—not only accelerating business growth but also driving inclusive employment across sectors.

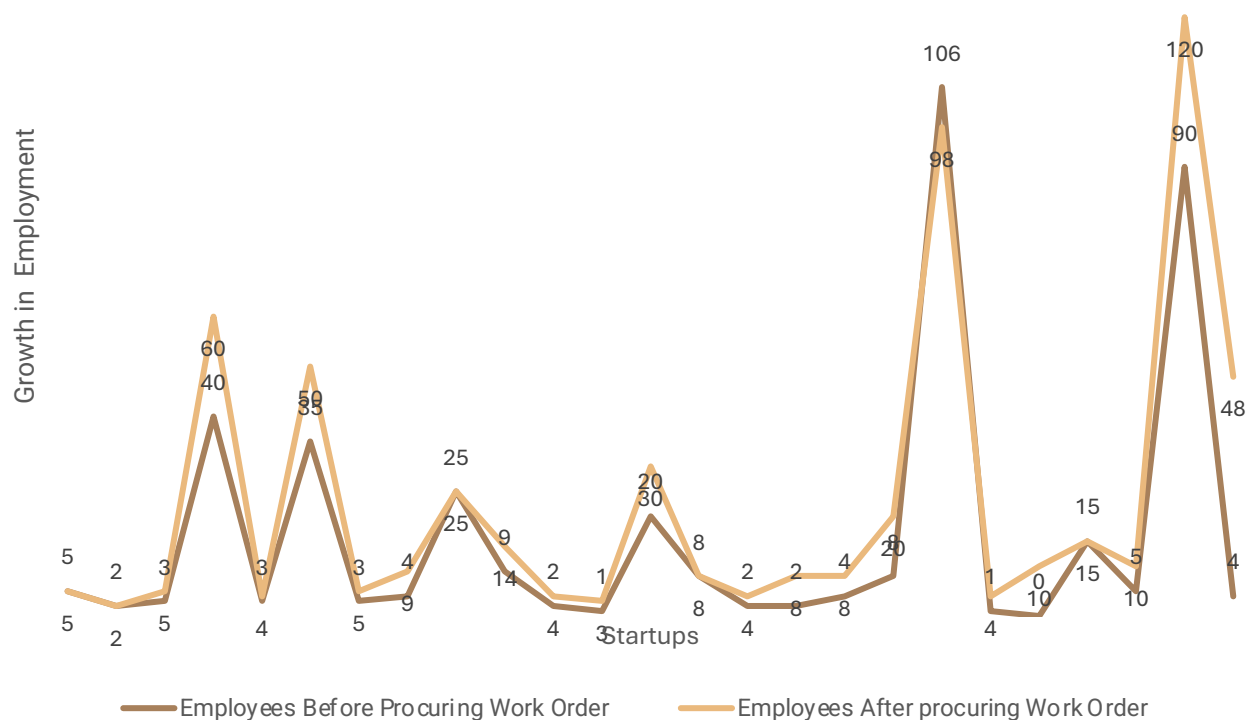


Figure 24: Growth in Employment



Raghav Sharma

Founder, Skillonation

“

Government work orders act as powerful catalysts—validating our vision, accelerating scale, and enabling the shift from innovation to sustainable, high-impact execution. They build credibility and unlock momentum for long-term transformation

”

5.7 Key Insights and Emerging Patterns

● Government Procurement as a Growth Catalyst

Public contracts serve as strategic launchpads, fueling startup expansion across finances, operations, and market reach.

● Enhanced Market Access & Credibility

60% startups reported improved visibility and credibility after securing government work orders, aiding entry into new markets.

● Entry Barriers Still Exist

Nearly 50% of startups cited challenges with eligibility criteria, documentation, and application processes. Simplification is crucial.

● Limited Yet Impactful Engagement

76% startups received 1–3 work orders, indicating that while engagement is still modest, its impact is significant.

● Employment Uplift

Post securing funding and resources, 88% of surveyed startups saw an increase in their number of employees. Among these, 11% startups experienced a very high growth, with their workforce expanding by over 142%. This growth has contributed to the creation of jobs, especially in areas outside Tier 1 cities.

● Significant Revenue Growth

69% startups reported up to 45% revenue growth; some recorded exponential increases (up to 3500%), highlighting procurement as a revenue accelerator.



🔴 **Access to Capital Improved**

Startups used work orders to raise capital from banks and investors—lowering liquidity risks and expanding capacity.

🔴 **Investor Interest Boosted**

70% saw increased or conditional investor interest, confirming that government contracts enhance startup credibility and investibility.

🔴 **Validation & Scalability**

Procurement validates products/services via alignment with public standards—helping startups scale and diversify.

🔴 **Signals of Long-Term Sustainability**

Surveyed startups reported improved survival odds, indicating that public procurement supports both short-term and sustainable growth.



5.8 Holistic Impact of Public Procurement

In fact, 88% of startups said they faced difficulties when they first tried to work with the government. These problems included things like complicated rules, tough paperwork, and strong competition from more established companies.

However, once they managed to overcome these barriers and win government contracts, 76% of startups said their businesses grew in a big way. The contracts helped them expand their operations and reach new markets.

Also, over 70% of startups noticed that investors became more interested in their companies. This is likely because doing business with the government made their startup look more trustworthy and reliable.

More than 50% of the startups said they made more money and were able to hire more employees. This shows that public procurement helps not just individual startups but also supports job creation and economic growth overall.



Overall Takeaway:

In short, even though it's hard to get started, public procurement can be a powerful way for startups to grow, attract investment, and make a bigger impact on the economy. It helps startups to grow, creates jobs, and strengthens the economy.



Ashwini Purohit

Founder, Edify

“

At Edify, a single government work order wasn't just revenue — it was a runway. It allowed us to scale teams, deepen our impact, and bring inclusive innovation to life. Public procurement transforms startups into institutions of growth. It gives young companies the credibility to hire boldly, innovate locally, and solve for complex challenges at scale not just for the market, but for the nation. These contracts create ecosystems, not transactions

”



Manish K Prahalad

Founder, Verdant Impact

“

The partnership has been instrumental in refining Verdant Impact's strategic focus, enhancing our institutional understanding and operational agility. It has empowered us to deliver more nuanced, scalable solutions across both public and private sector engagements

”

06

Startups in India's MSME Procurement Revolution

India's MSME Procurement Policy is designed to support Micro and Small Enterprises (MSMEs), and in recent years, the government has taken steps to include **startups** in public procurement schemes.

6.1 Holistic Impact of Public Procurement



Key Features

Mandate	Sub-target	Benefits
Central Ministries and Departments and PSUs must procure at least 25% of their annual purchases from MSMEs	Out of the 25%, 4% is earmarked for SC/ST entrepreneurs and 3% for women entrepreneurs	• Exemption from EMD (Earnest Money Deposit). • Tender sets free of cost • Priority in procurement and bidding processes

6.2 Government e-Marketplace (GeM) for Startups & MSMEs



Overview

- Startups recognized by DPIIT can register on the GeM portal, which is the central e-marketplace for public procurement.
- Allows Startups to directly participate in tenders, even without prior experience, in some cases.
- Offers visibility, fair competition, and reduced paperwork.

Relaxed Norms for Startups in Public Procurement (DPIIT Notification)



Key Provisions

- Startups are exempted from:
 - Prior turnover and experience criteria in government tenders.
 - EMD requirements.

- This applies to all central government ministries and departments.

6.3 Udyam Registration for MSME Status for Startups

If a startup's investment and turnover fall within MSME thresholds, it can register as an MSME on the Udyam portal to access additional benefits.

MSME Classification (since July 2020):

Type	Investment in Plant & Machinery	Turnover
Micro	< ₹1 crore	< ₹5 crore
Small	< ₹10 crore	< ₹50 crore
Medium	< ₹50 crore	< ₹250 crore



6.4

Startup India Portal – Procurement Policy Details

A comprehensive portal providing information on how startups can:

- Register for tenders
- Avail exemptions
- Understand eligibility under various schemes

6.5

Budget 2025 Announcements: Strengthening the Ecosystem

- The Union Budget 2025 further signaled intent to deepen startup participation in public procurement:
- ₹10,000 crore additional funding for the Startup India Fund.
- Tax exemption (Section 80-IAC) extended to startups incorporated till April 1, 2030.
- Credit guarantee cover increased to ₹20 crore for startups in 27 strategic sectors.
- Proposal to create a Deeptech Fund of Funds to support emerging technologies.



Prateek Jain

Director, Hyrefox

“

Before iStart, we were a capable startup with ambition; after iStart, we are a proven partner delivering real impact. The Rajasthan Startup Policy didn't just open doors, it opened a new dimension of growth, accountability, and innovation. These work orders are more than contracts; they're a testament to what public-private synergy can achieve when startups are empowered.

”

6.6 Startup Success Stories: Proof of Policy in Action

Hyrefox



Hyrefox Achieves Notable Growth through Work Orders Received via iStart Procurement Policy of Government of Rajasthan.

Hyrefox, a Gold-rated startup proudly registered under the iStart program by the Department of Information Technology and Communication, Government of Rajasthan, is pleased to report significant growth and positive business outcomes resulting from our collaboration under the Rajasthan Startup Policy.



Key Performance Highlights

- Achieved a 12% year-on-year increase in annual turnover attributed directly to government-awarded work orders.
- Strengthened visibility and trust within the public procurement ecosystem Reinforced Hyrefox's position as a reliable partner for technology-driven recruitment solutions in government and allied sectors



Strategic Benefits

Through iStart's enabling framework and the support extended under the Rajasthan Startup Policy, Hyrefox leveraged its Gold rating to bid for select government projects. This led to the successful acquisition of multiple work orders, enabling the company to diversify its project portfolio and establish stable revenue streams.

These collaborations strengthened Hyrefox's operational capabilities while enhancing its understanding of government workflows and compliance standards. The exposure has played a crucial role in refining internal processes and expanding the company's institutional experience in public sector engagement.

"The iStart initiative has been a pivotal chapter in our growth journey. The confidence shown by the Government of Rajasthan through these work orders has accelerated our capabilities and opened new avenues for long-term impact."

Hyrefox remains committed to leveraging the insights and expertise gained from these partnerships to serve a broader spectrum of clients with innovative, tech-driven solutions, while continuing on a path of sustainable and inclusive growth.



Brand Balance: Catalyzing Creative Governance through Digital Innovation



Startup Snapshot

Brand Balance, a Jaipur-based adtech agency, stands at the intersection of creativity, technology, and governance. As a QRate-certified startup under the iStart Rajasthan initiative, the company has emerged as a trusted partner for state departments—driving high-impact communication strategies across domains such as health, forestry, and urban development.



Leveraging Policy to Unlock Public Impact

The 2023 amendment to Rajasthan's procurement framework marked a turning point for startups like Brand Balance. Enabled by the provision of direct work orders for QRate-certified enterprises, the startup has been able to bypass conventional tendering processes—ensuring faster execution and greater focus on innovation.

This policy shift not only streamlined access to government collaborations but also validated the role of agile, creative startups in transforming the public sector narrative.



Core Advantages and Outcomes

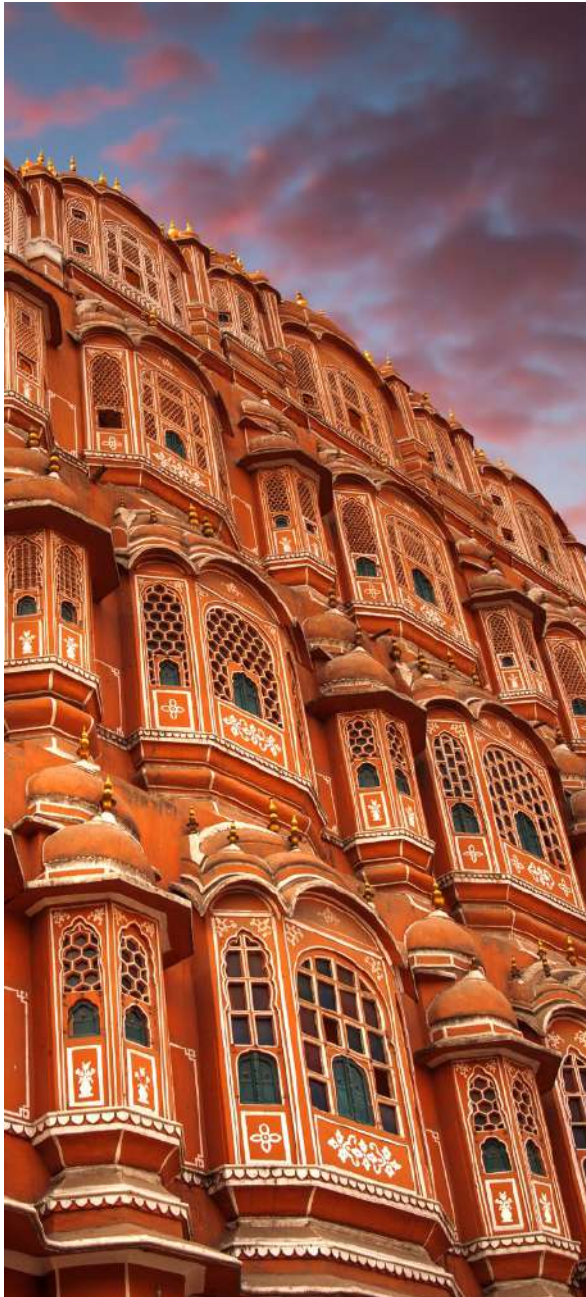
- **Agility in Onboarding:** Swift allocation of projects through direct work orders.
- **Institutional Trust:** Enhanced credibility through QRate certification.

- **Strategic Visibility:** Participation in flagship initiatives across departments.

- **Inclusive Recognition:** Additional opportunities availed as a woman-led enterprise.

Creative Disruption: Brought a refreshing, human-centered approach to government communication, making public messaging more engaging, accessible, and emotionally resonant.





After Procurement: From Observer to **YOURSTORY** Ecosystem Ally

For YourStory, this wasn't just another story. It was a signal, proof that public procurement, often under-leveraged in the Indian startup space, could drive real outcomes. This success catalysed a deeper engagement between YourStory and the Rajasthan startup ecosystem.

YourStory became an active force in Rajasthan's startup ecosystem, moving from observer to enabler. It launched dedicated editorial segments spotlighting iStart-backed startups from tier-2 and tier-3 cities, curated dialogues with policymakers to simplify procurement frameworks, and participated on-ground as a media partner in key startup events across the state.

To empower founders directly, YourStory conducted storytelling workshops and mentoring sessions for iStart-registered startups, helping them communicate their value more effectively. By aligning Rajasthan's entrepreneurial journeys with national narratives, YourStory has played a crucial role in showcasing that innovation in India is truly boundaryless.

Ajaita Shah, Frontier Markets



Frontier Markets, founded in 2011 by Ajaita Shah and headquartered in Jaipur, Rajasthan, has created a transformative model to empower rural women through its flagship Saheli Program. Aimed at improving living conditions and creating income-generating opportunities for the rural women, the program trains them in sales, marketing, data collection, and basic tech repair, enabling them to become last-mile service providers for essential products like solar lights, health appliances, and mobile phones.

These women, called Sahelis, earn an average annual income of INR 60,000 to INR 70,000 while serving over 2.4 million rural customers across 2,000+ villages. Frontier Markets operates on a no-cost, no-capex freemium model, ensuring accessibility and sustainability without relying on government support. The initiative not only addresses gender inequality and livelihood challenges but also enhances rural access to quality goods through a trusted, community-led distribution network. The program has seen growing community acceptance and plans to scale across more regions by deepening its agri and FMCG offerings, expanding the Saheli network, and introducing digital tools for customer engagement.



07

Strategic Recommendations: Unlocking the Full Potential of Startup Procurement

The analysis in earlier chapters, highlighted the transformative potential of public procurement for startups, while also surfacing persistent bottlenecks in access, execution, and scale. Drawing on survey findings, stakeholder interviews, and ecosystem insights, this chapter presents a cohesive set of **strategic, actionable recommendations**. These are designed to strengthen the policy framework, expand startup participation, and ensure that procurement becomes a reliable growth driver for Indian startups.



Focus Area	Insight	Recommendation	Expected Outcome
1. Simplifying Access	~50% of startups face challenges in eligibility, documentation, and finding tenders	- Unified startup procurement portal- Relax eligibility norms- Auto-matching of tenders	Improved ease of participation; higher number of startups qualifying and applying for tenders
2. Procurement Targets & Quotas	76% startups received 1–3 work orders – engagement is still nascent	- Startup procurement target (starting at 0.1%)- Dept-wise minimum startup procurement mandates	Greater institutional adoption; increased startup participation across departments
3. Timely Payments & Liquidity	Delayed payments reduce trust and affect working capital	- Enforce 45-day payment rule (Sec 43B(h))- Introduce a Startup Invoice Discounting Scheme	Improved cash flow; reduction in receivable stress; stronger financial viability for startups
4. Investor Visibility & Signaling	70% startups saw improved investor interest post procurement	- Certification badge: “Govt-Procured Startup”- Quarterly procurement demo days for investors	Strengthened credibility and visibility; increased private investment into government-contracted startups
5. Sector-Specific Strategies	AVGC, IT, AgriTech, EdTech, and Handicrafts dominate startup procurement sectors	- Launch sector champion networks- Government-startup co-innovation challenges	More sector-aligned procurement opportunities; innovation targeted at public service delivery problems
6. Impact Transparency & Tracking	Need for long-term visibility into procurement outcomes	- Publish annual startup procurement report- Real-time impact dashboard	Data-driven decision making; policy calibration based on actual performance

The path forward is not about reinventing procurement - it is about repurposing it for agility, innovation, and inclusivity.

- By adopting these recommendations, governments can:
- Institutionalize startup engagement
- Incentivize innovation through public demand
- Ensure predictability and transparency in execution

Startups don't just need capital; they need credibility, customers, and confidence. Public procurement offers all three - if we get the framework right.

Annexure



Abbreviations and Definitions

Term	Definition
AIF	Alternative Investment Fund – A privately pooled investment fund regulated by SEBI that invests in startups and SMEs.
Anchor Investor	A key investor who commits early capital to a fund or initiative, enhancing its credibility and attracting more investors.
BIRAC	Biotechnology Industry Research Assistance Council – a government body supporting biotech startups through funding and incubation.
BIG	Biotechnology Ignition Grant – A BIRAC grant program offering up to ₹50 lakhs to startups working on early-stage biotech innovation.
B2B	Business-to-Business – A business model where companies sell products or services directly to other businesses.
B2G	Business-to-Government – A business model where startups or companies sell directly to government entities or departments.
CGSS	Credit Guarantee Scheme for Startups – Offers guarantees to lenders to extend credit to startups with reduced risk.
DPIIT	Department for Promotion of Industry and Internal Trade – Central body managing India's startup policy and recognition.
EMD	Earnest Money Deposit – A refundable deposit submitted with tenders to show commitment; often waived for startups.
FFS	Fund of Funds for Startups – A structure where SIDBI invests in AIFs that further invest in startups.
GeM	Government eMarketplace – India's digital public procurement portal for government buyers.

GFR	General Financial Rules – Guidelines for all government procurement and financial management activities.
GAM	Government as a Marketplace – Promotes startups to serve as suppliers for government needs.
iDEX	Innovations for Defence Excellence – Funds startups to develop tech for use in the armed forces.
iStart Rajasthan	A Rajasthan government initiative supporting startups through mentorship, procurement, and innovation policies.
KSUM	Kerala Startup Mission – The nodal agency for startup support in Kerala.
LOI	Letter of Intent – Indicates intent of a government buyer to procure goods/services from a startup.
MeitY	Ministry of Electronics and Information Technology – Supports startups through grants and digital infrastructure.
MSME	Micro, Small and Medium Enterprises – Often supported through public procurement mandates.
NIDHI	National Initiative for Developing and Harnessing Innovations – A DST initiative funding tech-driven startups.
NEP	National Education Policy – A policy indirectly linked to edtech startup procurement.
PMA	Preferential Market Access – Mandates a portion of government procurement from startups.
POC	Proof of Concept – A prototype used to validate a startup's product idea.
PPP	Public-Private Partnership – A model for service delivery between government and private sector.
RTPP Act	Rajasthan Transparency in Public Procurement Act – Ensures fair and transparent procurement.
SAMRIDH	MeitY-backed scheme supporting startup acceleration through grants.

SaaS	Software as a Service – Cloud-based software subscription model.
SEBI	Securities and Exchange Board of India – Regulates capital markets and AIFs.
SIDBI	Small Industries Development Bank of India – Manages the Fund of Funds and supports startups.
SISFS	Startup India Seed Fund Scheme – Provides grants and capital for early-stage startups.
SSIM	State Startup Innovation Missions – Convert public challenges into startup procurement opportunities.
TANSIM	Tamil Nadu Startup and Innovation Mission – State body for startup-friendly procurement.
TIDE	Technology Incubation and Development of Entrepreneurs – Supports tech-based entrepreneurs.
TVPI	Total Value to Paid-In – Measures value of investments relative to capital invested.
VC	Venture Capital – Private equity investment in early-stage startups.
Startup India	Flagship Government initiative to promote startup ecosystem.
Accelerator Program	Structured support programs for early-stage startups including mentorship and funding.
Cluster-Based Support	Localised support strategy involving startups, government, and industry.
Sandboxing	Controlled testing environments to experiment with innovations.
Pilot Program	Small-scale experimental implementation before full rollout.
Procurement Readiness	Startup's capability to navigate public procurement processes.
Work Order	An official directive from a government department authorizing project work.
Innovation Challenge	Competitive challenges where startups pitch solutions to public problems.

Public Procurement	Government acquisition of goods and services from the private sector.
Reverse Pitch	Government departments present problems to startups for innovative solutions.
Direct Procurement	Procurement process where startups are awarded contracts without tenders.
e-Bazaar	Rajasthan's localized digital procurement platform for startups.
Startup Procurement Policy	State or central policy encouraging procurement from startups.
QRate Score	Startup evaluation system in Rajasthan enabling direct procurement.
Public Sector Buyer	Government department or agency purchasing goods or services.





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for building a better tomorrow



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Primus Partners has been set up to partner with clients in 'navigating' India, by experts with decades of experience in doing so for large global firms. Set up on the principle of 'Idea Realization', it brings to bear 'experience in action'. 'Idea Realization'— a unique approach to examine futuristic ideas required for the growth of an organization or a sector or geography, from the perspective of assured on ground implementability.

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