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Introduction

The term 'startup ecosystem' refers to a physical or virtual network of individuals and organizations that work collectively through shared events, mentorship and interactions to create and nurture a new model of business, i.e., 'Startups'. These organizations may be in the form of educational institutions, funding firms, legal and financial service organizations, research groups, private corporations, government agencies, media, etc. In addition, incubators, accelerators and angel investors are also essential components of a startup ecosystem.

India's startup ecosystem has experienced remarkable growth since

India's Startup Ecosystem: Advancing Towards the Milestone of 'VIKSIT BHARAT@2047'

Over the years, with transformations motivated by the entire development and upsurge of an enthusiastic professional workforce, the 'Startup Ecosystem of India' has grown rapidly. Now, it is documented as the third-largest startup ecosystem in the world. When India is striving to realize the vision of 'VIKSIT BHARAT', this ecosystem stands out as an important milestone. It embraces huge potential to navigate socio-economic development. This article outlines the key components and shining signals of 'India's Startup Ecosystem'. It also highlights cutting-edge initiatives taken by the Central Government and emerging trends and significant contributions to this landscape. At the end, the major challenges faced by Indian startups have also been discussed.

2016, driven by the country's rapidly booming business environment. During the last nine-year period (2016-2024), some metropolises of India like Mumbai, Bengaluru, Hyderabad and Delhi-NCR have arisen as epicenters of startup companies. However, this ecosystem is now witnessing a significant shift towards Tier II and III cities. These cities offer abundant opportunities, along with a young and skilled workforce and a supportive environment. With the help of dynamic employees, government initiatives, and affordable internet access, India has firmly recognized itself as the third-largest vibrant startup ecosystem in the world. Fig. 1 shows this concrete fact.

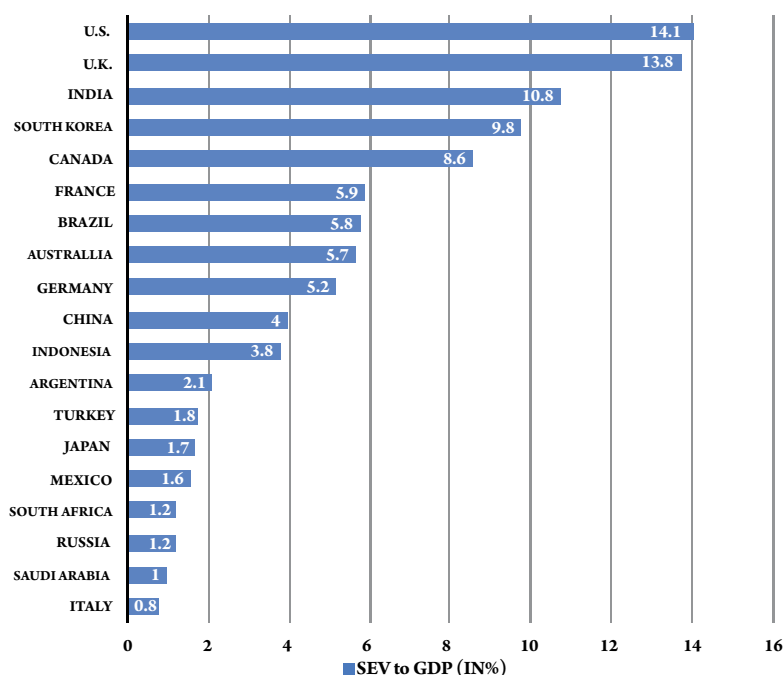
In the present wave of tech-based developments, India's startup ecosystem serves as a driver of technological advancement and innovations. It plays a transformative role in mounting economic growth, generating extensive employment

opportunities, encouraging digital adoption, boosting GDP growth, stimulating climate financing, providing an R&D environment, etc. Rural-focused startups are improving the living standards of people by addressing critical gaps in agriculture, education and healthcare. Additionally, startup companies in India attract substantial investments in the form of Foreign Direct Investment (FDI), Private Equity (PE), Angel Investor and Venture Capital.

When India initiated its journey towards becoming a '**Viksit Bharat**' (developed country) by 2047, the importance of the startup ecosystem became self-evident. This ecosystem has a great transformative capacity to become a milestone for developed India. It can provide a strong foundation along with practical opportunities to achieve the ambitious goals outlined in the 'Approach Paper' on 'Vision for Viksit Bharat@2047', released by NITI Aayog on July 27, 2024. This paper

Fig. 1:

Startup Ecosystem Value to Gross Domestic Product in 2024 (in %)



Source: Startup Genome, 2024

underlines that, “As for the economy, to become a developed nation, we need to strive to be a USD 30 trillion economy by 2047 with a per capita income of USD 18,000 per annum. The GDP would have to grow nine times from today’s USD 3.36 trillion and the per capita income would need to rise 8 times from today’s USD 2,392 per annum.” In the pursuit of these significant targets, India’s startup ecosystem has consistently played a vital role. It will continue to provide substantial support in the growth of all pillars described in the vision of developed India.

As on 9th December 2025, 2,03,463 startups in 779 districts of the country have been recognized by the Department for Promotion of Industry and Internal Trade (DPIIT). In these startups, over hundred unicorn companies play a vital role in boosting domestic progress through their innovations and resilience. Notable that a ‘unicorn startup’ is a privately owned

company having a scalable business model valued at over USD 1 billion. It is characterized by rapid growth with high potential based on innovative technologies for the creation of wealth and employment. It is estimated that the number of unicorns in India will reach at 250 by 2030. This growing scenario highlights India’s capabilities to become a worldwide startup front-runner.

Key Components of Startup Ecosystem

■ Cutting-edge Government Initiatives:

To support and nurture the startup ecosystem, the Central Government has introduced a series of advanced initiatives. Some contemporary initiatives may be pointed out as below:

1. Under the *Credit Guarantee Scheme for Startups (CGSS)*, 2022, INR 555.24 crores in

loans were granted to 235 startups, including INR 24.60 crores to 18 women-led startups as of October 31, 2024 (data released by DPIIT on January 15, 2025).

2. *Fund of Funds Scheme (FFS)*, 2022, for Startups having a corpus of INR 10,000 crores managed by SIDBI.
3. *Mentorship, Advisory, Assistance, Resilience and Growth (MAARG) Portal*, 2022, a one-stop platform to provide personalized, efficient and expert guidance along with customizable mentorship for startups across diverse sectors and stages.
4. *National Deep-Tech Startup Policy*, 2023, aims to thrive and address the exclusive and multifaceted challenges faced by deep-tech startup companies. It also provides guidelines to these companies regarding innovations, research and development.
5. To establish a seamless business regulatory framework across India, the *Business Reforms Action Plan-2024* was introduced.
6. To empower student entrepreneurs by facilitating their meeting with the capital providers, policy makers and big business houses, ‘UDYAMOTSAV 2025’ was organized by the Ministry of Education’s Innovation Cell and AICTE in January 2025. As a part of ‘National Startup Week, 2025’, it was held across 14 cities in India.
7. Considering the overall contributions of startups to the nation’s economy, “National Startup Day” is celebrated on January 16th every year. This festivity also aims to generate a supportive environment for entrepreneurial projects. On the 9th Startup Day celebration,

Fig. 2:



Source: Department for Promotion of Industry and Internal Trade (DPIIT)

major DPIIT (Startup India) initiatives were launched, i.e., *Bharat Startup Grand Challenge* and *PRABHAV Factbook (Powering a Resilient and Agile Bharat for the Advancement of Visionary Startups)*, to mobilize private capital, particularly to support startups in Tier-II and Tier-III cities. Moreover, it will empower startups to scale their operations.

8. Launched *BHASKAR (Bharat Startup Knowledge Access Registry)*, 2024, a new digital platform, which aims to bring diverse stakeholders of India's startup ecosystem, such as entrepreneurs, mentors, investors, service providers, and government bodies, onto a unified platform. Through unique BHASKAR IDs and personalized dashboards, the platform enhances visibility, networking and discoverability, thereby enabling collaboration and smoother engagement

across the ecosystem. As on 9th December 2025, 6,49,482 BHASKAR Users are registered with Startup India.

9. To motivate and support the startup arena, the DPIIT organized the 2nd Edition of 'Startup Mahakumbh-2025'. It was India's largest startup showcase with 2,923 exhibitors, 103,349 exclusive attendees, and over 2.5 lakhs exhibition footfall. With the involvement of 60 countries, this event occurred as a universal stage for alliance and entrepreneurial evolution. Notable that 'Startup Mahakumbh – 2026' will take place on March 9 -10, 2026, at the Yashobhoomi Convention Centre in New Delhi. There will be opportunities to hear perspectives from experts, investors, industry leaders and policy makers. Additionally, to strengthen the nation's Startup ecosystem, the DPIIT is also organizing a "Startup

Mahakumbh Road Show". It is scheduled from December 5, 2025 to January 23, 2026, across 7 cities like Mumbai, Kolkata, Bangalore, etc. in India.

10. Additionally, the Central Government has reduced compliance burdens and relaxed norms for startups by offering:

- Tax exemptions on capital gains and investments above market value.
- "White Category Startups" can self-certify compliance in respect of three environmental Acts.
- Startups Intellectual Property Rights Protection (SIPP) Scheme for facilitating fast-track filing of patents, trademarks, designs, and other IPRs. Under this scheme, startups can enjoy an 80% reduction in the cost of filing patents, along with other procedural benefits.
- Simplifications of reverse flipping standards (September 2024).
- Abolishing the Angel Tax from FY 2025-26.
- Startups shall be allowed to self-certify (through the Startup mobile app) with 9 Labour Laws and 3 Environment Laws.
- The Startups are eligible for the Income Tax Exemption on profits under Section 80-IAC of the Income Tax Act.

11. Atal Innovation Mission (AIM) – This mission includes 'Atal Tinkering Labs' at the school level to foster creativity, 'Atal Incubation Centers' to build a robust startup system, and 'Atal Community Innovation Centers' to serve unserved and underserved regions.

12. Budget (2025-26) Proposals – To nurture the startup sphere, the following proposals have

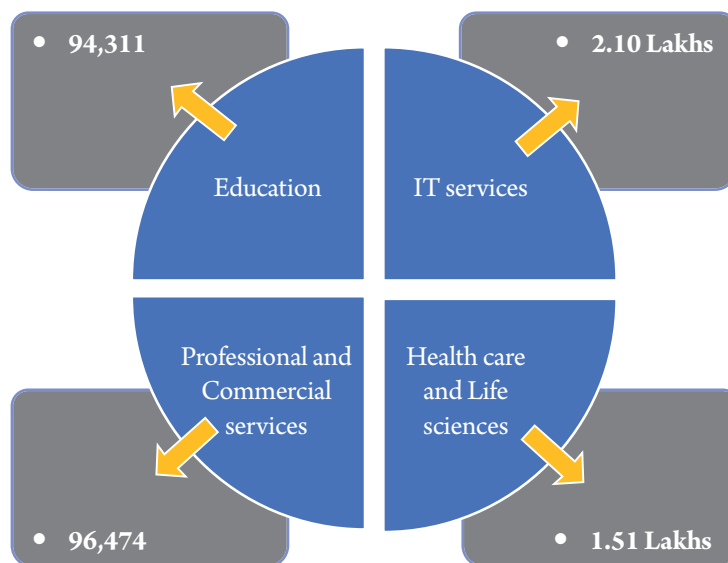
been projected on 1st February 2025, by Finance Minister Smt. Nirmala Sitharaman in her eighth consecutive Union Budget:

- Extension of time limit aimed at another period of five years u/s 80-IAC for eligible startups incorporated before 1st April 2030.
- To catalyze the next generation of startups, a 'Deep Tech Fund of Funds' will be explored.
- A new 'Fund of Funds' with a fresh contribution of another Rs. 10,000 crores will be set up.
- The credit guarantee cover will be enhanced for startups, from Rs. 10 to 20 crores.

Emerging Trends: India's startup ecosystem has transformed significantly over the period of last nine years. Its emerging trends can be enumerated as under:

- **Increasing number of Tech-driven Startup Firms** – In our country, startup companies have leveraged emerging technologies such as Artificial Intelligence (AI), blockchain, Language Model (LM), Internet of Things (IoT), etc., to provide solutions to domestic and global problems. With the help of automation, innovation, and enhanced customer experiences, these technologies are transforming sectors like healthcare, e-commerce, q-commerce, finance, logistics, etc. Data shared by the Press Information Bureau, Delhi, (press release - 29th May 2025) confirms that 10 cutting-edge Indian startups have been selected under the Ministry of Electronics and Information Technology (MeitY) for the prestigious **AI Accelerator Program** in Paris (France). It is a four-month acceleration program, and it provides global market expansion, mentorship, investor networks and backing for comprehensive scaling to the startups. India AI Mission's

Fig. 3:



Source: Press Release by PIB, Ministry of Commerce and Industry, GOI, on 31st January 2025.

“New roles of women entrepreneurs are emerging regularly in the corporate sector, including startups. The Government of India is executing certain specific schemes and programs like Women Capacity Development Program (WING), Virtual Incubation Program, Super Stree podcast, State Workshops for Women Entrepreneurship, Startup India Hub, etc., which are supporting women-led startups.”

partnership with institutions like Station F and HEC Paris marks a significant step in strengthening India's innovation ecosystem. It is expected to foster cross-border collaboration, open access to global markets, and facilitate international scaling for India's AI-based startups.

- **Recognizing Women Leadership** – New roles of women entrepreneurs are emerging regularly in the corporate sector, including startups. The Government of India is executing certain specific schemes and programs like Women Capacity Development Program (WING), Virtual Incubation Program, Super Stree podcast, State Workshops for Women Entrepreneurship, Startup India Hub, etc., which are supporting women-led startups. As a result of such schemes, as of 30th June 2025,

87,285 startup companies with at least one woman director/partner are contributing a vital role in the development of the economy. This number represents nearly half of the 1,80,683 startups of India.

- **Becoming Job Provider Podium** – At present, India's startup landscape is becoming a new platform for jobs. It provides employment opportunities for IP/Patent Executive (for tech startups), data analysts, project managers, machine-learning engineers, robotics programmers, software architects, content creators, growth hackers, customer relationship managers, design managers, user researchers, visual designers, mobile app developers (Android/iOS) and many more.

- According to the data of DPIIT, recognized Indian startups have created 17,69,605 direct jobs across India since 2016. Startups' jobs have been growing at over 25% year-on-year. In 2023, startups provided 3,92,181 jobs as compared to 2,74,920 in 2022. In the year 2024, 3,51,921 jobs were provided by startup companies. It is estimated that they could employ over 50 million people by 2047.

Fig. 2 shows industry-wise job creation as of 31st January 2025 in Indian startups:

- **Watching towards Stock Exchanges** – At present, favorable sentiment of stock market attracts the startup companies for collection of funds. Present-day tech startups are looking towards stock exchanges for capital. In 2024, INR 29,000 crores were collected through Initial Public Offers (IPOs) by 13 startup companies. As of October 2025, 10 startups have been listed on the stock exchanges. This trend shows a shining signal regarding the maturity of India's startup ecosystem.
- **Accrescent Role as Wealth Creators** – India's startups are also playing an attractive role as wealth creators. They give shares through an Employee Stock Option Plan (ESOP) to their employees to uplift their economic standard. Notable that ESOPs generate a sense of proprietorship amongst employees. In the year 2024, shares valued at INR 1,470 crores were distributed by 23 startups to nearly three thousand employees. To retain and satisfy the personnel force, this trend is becoming an effective device for startup companies.
- **Attracting Domestic Investment** – Earlier, global venture capitalists were treated as the main source of financing in India's startups. But this trend is now changing. These startups now have outstanding funding from our domestic investors, including Qualified

Institutional Buyers (QIBs) Nationalised Banks, State Finance corporations like Government Institutions. At present, more than 80% of funds are being collected through domestic investors. In this context, some significant government schemes like CGSS (implemented by NCGTC), Atal Innovation Mission (launched by NITI Aayog), Startup India Seed Fund Scheme (SISFS) are playing a vital role to boost the domestic investment in India's Startups.

- **Strengthening the Arena of Regional Startups** – To create an effective environment for the promotion of regional startups, capacity-building workshops are being organized year-round in Tier-II and Tier-III cities under the 'States Startup Ranking Framework'. Moreover, these workshops aim to assist States in developing local ecosystems for young startups/entrepreneurs. To provide proper guidance to the incubators, special handholding sessions are also conducted in these workshops.
- **Stepping up towards Sustainable Solutions** – Some prominent Startups are now moving towards sustainable solutions like waste management, renewable and clean energy, green-techs, organic farming, etc. It means they are playing a vital role in the direction of sustainable development, which is an essential element for Viksit Bharat.

Major Challenges: Despite remarkable growth, India's startup ecosystem faces many operational challenges/problems, some of which are –

- **Selection of appropriate business structure** – It is one of the most critical challenges for any startup firm. Due to the involvement of so many factors like the nature of business, regulatory attentions, growth strategies, cost of operation, peripheral capital need, plan for

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profit sharing, etc., founders/owners cannot make the right decision easily.

- **Compliance with Rules and Regulations** – To ensure complex rules and regulations concerning business incorporation and operation governed by different laws and Acts is a key challenge for startup companies. The consequences of non-compliance with laws generate so many problems. Time-consuming activities like obtaining permits, approvals and licenses, acquiring desired land & building, purchasing foreign machinery/technologies, etc., also make a depressing atmosphere for many buddy entrepreneurs. Obedience to SDGs, CSR, ESG, etc., also needs attention. The State Single Window Clearance Portal should contain all 200 services like Tamil Nadu.
- **Protection of Intellectual Property Rights (IPRs)** – Due to lesser knowledge and ignorance, protection of high-tech uniqueness and innovation in the form of intellectual property rights (IPRs) is also a significant problem for startups.
- **Problems in respect of Employment Agreements** – Unclear terms and conditions regarding job profile, compensation, benefits, participatory management, operation of competing business,

claiming of IPRs, etc., can create conflicts with employees. These conflicts get involved in legal battles. Sometimes, a founder's agreement and third-party agreements also create obstacles.

■ **Challenge of Fund Management** –

It is one of the most troublesome aspects of operating a startup firm. Due to a shortage of working and fixed capital, Indian startup companies frequently encounter funding issues. It is more challenging for early-stage startups, because VCFs, angel investors and other capitalists consider the degree of high risk involved in these entities. New startups don't have credit platforms and sufficient security properties for obtaining required funds; this situation can limit their operational and marketing activities and hamper their business progress. Moreover, due to a lack of proper knowledge of financial management, they cannot create an effective and sharp revenue structure. Nationalised Banks should fund these startups.

■ **Shortage of Skilled Personnel Force** –

Like other business organizations, startup entities also fight to acquire and retain skilled employees. Startups cannot attract trained and efficient employees due to a lack of competitive pay and incentive/reward plans, an absence of sufficient training facilities, uncertainty of future

growth, a lack of job security, the non-existence of chances for career development, etc. There is still a deficiency of AI professionals, data scientists, cybersecurity experts, etc., in the startup landscape of our country. State Skill Development Corporations should train them accordingly.

■ **Worrying about Intense competition** –

In the present era of intense competition, thousands of startup companies are stressed to overcome the severe consequences of it. This unfair race/competition is regularly increasing due to excellent services, brand recognition, superior offerings, collaborations and strategic alliances, changing technologies, innovative marketing methods, AI and ML-based production procedures, increasing customer expectations and preferences, etc. In the present competitive environment, it is a tough job for startups to attract and hold trustworthy customers. To get market share, they are struggling with well-established competitors and emerging entrepreneurs. Startups should make use of the Government e-Market to get more orders.

As per data shared by the Ministry of Commerce & Industry, GOI, on July 25, 2025, 6019 recognized startups have been categorized as closed, and 59 recognized startups have been categorized as dormant. For this unfortunate situation, some common problems/ reasons like insufficient funding, unsustainable framework of business model, detaching between the offerings and genuine market demands, etc. are being held responsible. Nationalised Banks should intervene and provide sufficient working capital.

Conclusion

India's startup ecosystem emerged as a catalyst for the nation's journey towards 'VIKSIT BHARAT'. It contributes to industrial growth, technological advancements, socio-economic transformation, sectoral innovations and employment, etc. Moreover, it also



adopts sustainable business practices to align with the SDGs of the UN as well as the key pillars of the vision of developed India. Despite achieving 3rd position at a global level, India's startup ecosystem is in its investigational stage, and so many financial and operational problems/challenges create barriers in the growing path of this landscape. To make India a global leader in the arena of startups, emerging opportunities should be explored, and existing challenges must be addressed through effective measures and long-term strategies. Continued contribution and rapidly changing trends of this ecosystem will certainly lead the efforts towards accomplishing the goals of 'Viksit Bharat' by 2047.

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