

Vibrant Startup Ecosystem and Thriving Entrepreneurial Growth in India

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Abstract: From being a policy-driven initiative, the startup ecosystem in India has become one of the most diverse and growing startup ecosystems globally. Since launching the Startup India initiative in 2016, Startups have helped in the development of industries, technological innovation, employment creation, investment mobilization and bringing inclusiveness in the economy. Secondary data from the Department for Promotion of Industry and Internal Trade (DPIIT), Startup India Portal, NASSCOM, the Press Information Bureau, Government of India, the Ministry of Commerce and Industry, Startup Genome reports, and academic papers have been analysed to explore the growth of entrepreneurship in India from 2016 to 2026. The study highlights the growth of the DPIIT-recognised startups, the growth of unicorn startups, employment creation, geographical diversification, women's participation, funding pattern and government support. It also highlights ongoing challenges such as lack of access to finance, collateral required, complexity of regulations, skills gaps, differential infrastructure, limited access to markets, and regional gaps. The paper suggests that getting the balance right between early-stage finance, encouraging research intensive and deep-tech start-ups, building incubation and mentoring network, making regulators more efficient, and extending entrepreneurship to women, rural populations and entrepreneurs in Tier-II and Tier-III cities will be key to the next stage of entrepreneurial development in India.

Keyword: Startups, Entrepreneurial Growth, Start Up India, Scaling Innovation

INTRODUCTION

India has become one of the biggest start-up hubs of the world. It's been a mix of public policy, digital infrastructure, demographic muscle, rising investor interest and an innovation culture that's helped drive this transformation. Since the introduction of Startup India initiative in 2016, there has been a paradigm shift in the national attitude towards entrepreneurship. To facilitate conditions for start-up and expansion of innovative companies the concept aimed for policy support, simplified procedures, funding mechanisms, tax-related incentives and incubation facilities.

The aim of Startup India was not only to promote the number of new startups but also to encourage new ideas. It also intended to create an entire entrepreneurial ecosystem by providing easy access to information, minimizing redundant administrative requirements, fostering investments, facilitating the operation of incubators and connecting entrepreneurs with institutions that could develop and commercialize their ideas. The Startup India Hub and Startup India Portal are digital platforms that allow the founders to get information regarding the Government initiatives, regulatory processes, financial assistance, mentorship and other institutional assistance to the Startup.

It's not just about entrepreneurs and their entrepreneurial ecosystem. It comprises of investors, banks, VCs, universities, research institutes, government ministries, incubators, accelerators, employees, customers and professionals. An entrepreneurial ecosystem is defined by the OECD as a "set of entrepreneurial actors, organisations, institutions and processes, which together make it possible for businesses to form and develop. The power of an ecosystem is not only in the number of startups in the ecosystem, but also in the quality of the relationships between the participants in the ecosystem.

Digital platforms have been used to enhance access for the national network of startups for start-up founders who are not in the big cities. The Bharat Startup Knowledge Access Registry - BHASKAR is designed to link together various stakeholders of the entrepreneurial ecosystem namely entrepreneurs, investors, mentors, incubators and others. These efforts are especially crucial for the founders of Tier-II and Tier-III cities who might not have access to investors, technical skills, specialised advisors and experienced mentors.

Changes in the framework for the recognition of startups have also coincided with the tenth anniversary of Startup India. "The previous framework was superseded by the DPIIT Gazette Notification G.S.R. 108(E) issued on 4 February 2026 which brought three major amendments: increase the turnover of the startups, new recognition category for deep-tech

startups and inclusion of cooperative societies. The reforms suggest the era of a mere startup policy in India is over and further efforts are going into architecting support for longer-term business development and more complex technologies, and alternative organizational structures.

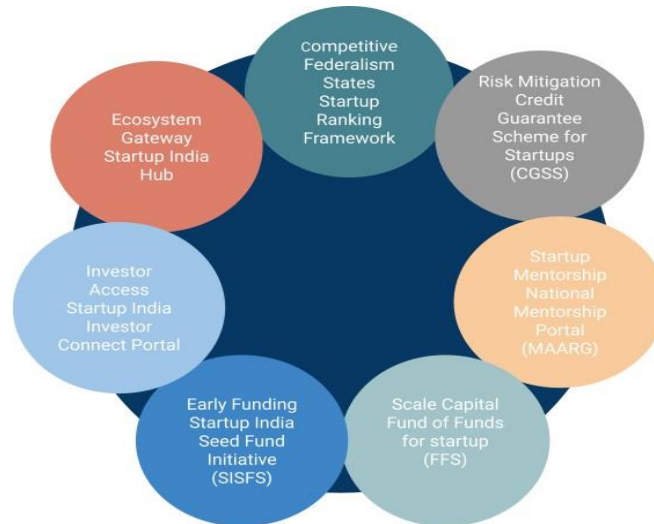
A few initiatives by the different sectors and the Government ministries have bolstered India's startup ecosystem. These programs are geared towards technological innovation, rural enterprise, academic research, regional development and job creation. As a whole, they illustrate that entrepreneurship policy in India goes beyond just a scheme or a single ministry. Rather it is sustained via a wide array of overlapping, complementary efforts.

Schemes Strengthening India's Startup Ecosystem

Scheme	Ministry	Objective
Atal Innovation Mission (AIM) - 2016	NITI Aayog (Meity)	Foster a nationwide innovation culture
GENESIS (Gen-Next Support for Innovative Startups) - 2022	Ministry of Electronics & IT (Meity)	Deep-tech startups in Tier II/III cities
Technology Incubation and Development of Entrepreneurs (TIDE) 2.0 - 2019	Ministry of Electronics & IT (Meity)	ICT startup incubation & scale-up
MeitY Startup Hub (MSH) - 2016	Ministry of Electronics & IT (Meity)	Integrate tech startup ecosystems.
National Initiative for Developing and harnessing Innovations (NIDHI) - 2016	Department of Science and Technology (DST)	Support S & T startups from idea to market
Startup Village Entrepreneurship Programme (SVEP) - 2015	Ministry of Rural Development (Day - NRLM)	Promote rural entrepreneurship
Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship) ASPIRE - 2015	Ministry of MSME	Strengthen rural enterprise incubators
Prime Minister's Employment Generation Programme (PMEGP) - 2008	Ministry of MSME (KVIC)	Subsidized credit for selfemployment

Sources: DPIIT, Startup India, PIB Backgrounders (2026)

Startup India Initiatives



Research Objectives

- To analyse the trends of startups in India from 2016 to 2026.
- To understand the economic impacts of startups (Job impact, Investment impact and Growth impact).
- To help entrepreneurs overcome the constraints to entrepreneurial development.
- To brainstorm the future opportunities for sustaining entrepreneurship, and nurturing it to grow.

Research Methodology

The type of study used is descriptive and analytical research which is secondary data. Data for 2016-25 were gathered from official and institutional sources, and reported updates for 2026. The sources include DPIIT, Startup India Portal, NASSCOM, Startup Genome reports, Ministry of Commerce and Industry, Press Information Bureau, selected academic publications.

The material collected was analysed for changes in the number of known startups, investment trends, sectoral growth, geographical dispersion, policy support, job creation and innovation. The study also provides an overview of the different stages of startups and government initiatives for supporting them. The data presented in the paper is secondary data and thus represents trends in the ecosystem as reported by entrepreneurs/investors rather than a primary survey finding. All numbers, particularly those pertaining to 2026, should be verified with final numbers from the official releases.

Growth of the Indian Startup Ecosystem

In the last ten years, the startup ecosystem in India has grown from a small, localized and almost invisible network of startups to a massive, diverse and well recognized entrepreneurial system across the country. This has been achieved through a number of factors such as the Startup India initiative, digital public infrastructure, the increasing penetration of the internet, and policy measures by the central and state governments.

Quantitative Growth Trends for 10 years (2016 to 2026)

Indicator	2016	2020	2023	2025	2026
DPIIT recognized startups	~500	~39,000	100,000+	200,000+	230,000+
Unicorns	8-10	38	100+	118+	120+
Job Created	<50,000	~430,000	1.2 million+	2.0 million+	2.3 million+
States/UTs with startup policy	10+	24	31	32	32

Share of startups from Tier-II & III cities	~20%	~35%	~45%	~50%	~50%
Women-led startups (at least one woman director/partner)	Limited	Growing	~45%	~45%	45%+

Sources: DPIIT, Startup India, PIB (2026)

The numbers reported indicate the size of the ecosystem. In 2016, the number of recognised startups by DPIIT was around 500; this has increased to over 2.23 lakh by March 2026. This growth is attributed to positive policy, enhanced digital processes, more access to incubation and more investment and mentoring.

There were also a significant number of unicorns during the time period as well. By 2026, the number of unicorn sightings had increased to more than 120, but in 2016, there were less than 10. The growth is driven by increased investments and investor confidence in the Indian market to engage in areas of financial technology, e-commerce, health technology, AI and deep technology. Unicorn numbers are not the only indicator of ecosystem health, however. Unicorn numbers must not be our sole metric of ecosystem health, though. Other important indicators of sustainable entrepreneurial development include business survival, business profitability, productivity, quality of innovations and job stability.

The location of entrepreneurship has also evolved. The major commercial centres, especially Bengaluru, Delhi, Mumbai, Hyderabad and other established commercial centres were initially the focus of the startups. Digital connectivity, State level Startup programmes, incubators have made it easier for the founders in smaller cities to be more active. The provided data shows that there is a significant percentage of recognised startups that are now in Tier-II and Tier-III cities, as well as more than half in some of these cities.

There has been also an improvement in the involvement of women. According to the provided government data, almost 48% of recognised startups have a women director/partner. This doesn't necessarily indicate that the companies are women-owned or women-led but it does indicate broader involvement of women in formal start-up ownership and management. More work is required to be done to differentiate between the ownership, leadership, operational control and size of female owned businesses.

It was reported that by 2026, all the 32 states and union territories have enacted startup policies. The development suggests that entrepreneurship is being perceived on the regional level as a part of regional economic policy and not as an activity that can be delegated to a limited number of national level innovation centres.

Key Highlights (2016–2026)

The main findings of the provided information are:

- Approximately 500 start-ups recognised by DPIIT grew to over 2.23 lakh by March, 2026.
- By March 2026, recognised startups reportedly created over 23.36 lakh (or about 2.34 million) direct jobs.
- Close to 48 per cent of the more than 1.07 lakh recognised startups were reportedly led by at least one woman director/partner.
- As stated in the cited material, 2026, Tier-II and Tier-III cities witnessed the presence of around 53% of recognised startups.
- It was reported that all the 32 states and union territories had adopted state specific policies for startups.
- India was still termed as the third largest startup ecosystem in the world.

All these trends indicate that India's start-up ecosystem has matured from its infancy stage. This growth now extends beyond registrations of more businesses, to geographical expansion, more institutional support, increased participation and increased connections to the national development agenda.

Startup Funding Trends

Year	Approximate Funding
2016	US\$4 billion
2017	US\$10 billion
2018	US\$10.5 billion
2019	US\$14 billion
2020	US\$11.5 billion (COVID impact)
2021	US\$36 billion (record high)
2022	US\$25 billion
2023	US\$8 billion
2024	Recovery phase
2025-2026	Strengthened early-stage funding as investors increasingly emphasised profitability, AI, deep tech and sustainable business models

Source: [reuters.com/world/india/once-burnt-investors-curb-enthusiasm-indias-startups-2024](https://www.reuters.com/world/india/once-burnt-investors-curb-enthusiasm-indias-startups-2024)

The investment climate in 2021 was strong but was later succeeded by a more conservative investment climate. Realistic valuations, revenue generation, profitability, cost control and business models that are sustainable became important areas of focus for investors. Thus, the post-2022 funding environment was more demanding than during the expansionary times. Young companies may find it difficult to adapt, but the transition can lead to better governance and capital utilization, as well as long-term sustainability.

Programmes of Government financing are also contributing elements to private investment. The Fund of Funds for Startup, Startup India Seed Fund Scheme and Credit Guarantee Scheme for Startup are at various phases of the startup lifecycle. The programmes are particularly attractive for companies with new business concepts but no collateral, track record or traditional bank financing.

ECONOMIC IMPACTS OF STARTUPS

Employment generationEmployment generation

Startups boost the economy in several different ways, including providing direct jobs, and by generating demand for suppliers, professional services, logistics, technology, marketing, and other business activities. As per the provided press release from the Ministry of Commerce and Industry, as of 31st December 2024, there were over 17.28 lakh direct jobs created by recognized startups. In the IT services industry, around 2.10 lakh jobs were created, it was reported. Other important employment generating areas identified were healthcare and life sciences, professional and commercial services and education.

Industries Leading Job Creation in Startups as of December, 2024

Sector	Jobs Created
IT Sector	2.10 Lakh
Healthcare & Lifesciences	11.51 Lakh
Professional & Commercial Services	96,474
Education	92,694

Source: Ministry of Commerce & Industry

This is the original manuscript with two entries for “healthcare and life sciences” – “1.51 lakh” and “11.51 lakh”. Before publishing the figure must be compared with the official source.

Recognised entities and direct jobs are presented in the annual figures provided below:

Startups and Jobs Spread Across the Country

Measures	FY 2024-2025	FY 2025-2026
Year-wise no. of entities recognized as startups	36,400+	55,200+
Year-wise no. of direct jobs created by recognized startups	3,66,870+	4,99,400+

Source: Ministry of Commerce & Industry

The above data provided by the government show that over 55,200 startups have been recognised in FY 2025–2026, the highest number of startups in one year since the launch of Startup India. This growth reflects further formalisation of entrepreneurship and growing involvement in the formal support network.

Investment and Public Financial Support

There have been measures promoting government-backed financing at the seed, early growth and expansion phases to mitigate financing gaps. With the Fund of Funds for Startups, over Rs. 1,000 crore has been allocated for investing in startups. At the end of FY 2025–2026, the amount of 7,000 crore is reported to be disbursed to more than 135 AIFs. These funds then put more money to the test of this type of investment. 26,900 crore in over 1,420 startups. The government also informed Startup India Fund of Funds 2.0 about the corpus amount worth of Rs. 10,000 crore.

Extensive support under flagship schemes—FFS

Details	FY 2024-2025	FY 2025-2026
Amount disbursed to AIFs to support startups under the FFS 1.0 (in Rs. crore)	980+	1,039+

Source: Ministry of Commerce & Industry

The Credit Guarantee Scheme for Startups aims to make it easier for startups to access credit facilities, thus alleviating the risk for lenders.

The figures provided show that in FY 2024-2025, 130 loans were guaranteed, and in FY 2025-2026, there were over 135 loans.

Extensive support under flagship schemes - CGSS

Details	FY 2024-2025	FY 2025-2026
No. of loans guaranteed to startups	130	135+
Amount of loans guaranteed to startups (in Rs. crore)	305	600+

Source: Ministry of Commerce & Industry

The scheme has been scaled up during FY 2025-2026. The amount of coverage for each borrower was raised from Rs. 10 crore to Rs. 20 crore. The amount of guarantee cover has been increased and the annual guarantee fee lowered for lenders in certain sectors while 20 crore have been added to the guarantee cover. As of FY 2025-2026, over Rs. 57 crores worth of loans have been disbursed. The amount of 1,250 crore had been guaranteed so far.

Additionally, the Startup India Seed Fund Scheme is also providing support to startups prior to getting significant Private investors. The total number of incubators got selected is 219 and the whole corpus was Rs. 945 crore was committed. More than Rs. 100 crore has been approved by these incubators. The number of startups supported by the funds was more than 3,400, with a total of 605 crore, as per the data provided in this paper.

Innovation and Patent Activity

IP product is another parameter of start-up development. In the past 18 months (FY 24-25 to FY 25-26), the number of startup patent applications rose from over 2,850 to over 4,480. The total of applications was estimated to be over 19,400.

Details	FY 2024-2025	FY 2025-2026
Patent applications filed by startups	2,850+	4,480+

Source: Ministry of Commerce & Industry

As evidenced by the growth of patents, more and more start-ups are no longer just delivering services or acting as intermediaries in the market but developing their own products, innovating and creating intellectual property. But just patent applications do not mean commercial success. The caliber, ownership, licensing and actual application of the resulting intellectual property should be looked at as well.

The Startup India Seed Fund Scheme calls for the selection of 219 incubators and the sum of Rs. 1 lakh crores is dedicated to funding these incubators. A total of 945 crore has been committed. These incubators'll have their approvals of funding exceeding Rs. 605 crore to over 3400 startups. The scheme has now been extended to allow for on-going disbursement and completion of approved activities.

Regional Distribution and Employment

In today's times, startups have sprouted in all the states and UTs of the country. The highest number of recognised startups and jobs reported were from Maharashtra, Karnataka, Uttar Pradesh, Delhi, Gujarat, Tamil Nadu, Telangana, Haryana, Kerala and Rajasthan.

States and UTs with highest number of recognized startups

State / UT	Entities recognized as startups as on 31 st March 2026	Direct jobs created by startups as on 31 st March 2026
Maharashtra	38,660+	4,13,900+
Karnataka	22,600+	2,46,000+
Uttar Pradesh	21,960+	2,11,580+
Delhi	21,120+	2,36,640+
Gujarat	19,270+	2,14,800+
Tamil Nadu	14,830+	1,52,900

Telangana	12,520+	1,36,570+
Haryana	11,620+	1,39,600+
Kerala	8,620+	74,130+
Rajasthan	8,100+	83,100+

Source: Ministry of Commerce & Industry

From the distribution, it can be seen that States including Maharashtra and Karnataka are the key start-up hubs, while States like Uttar Pradesh, Gujarat, Tamil Nadu, Telangana, Kerala and Rajasthan are also emerging as potential start-up hubs. A more balanced regional development may be achieved by the growth of startups in other states, if local startups ecosystems are adequately financed, as well as provided with infrastructure, skills and institutional support.

Barriers to Entrepreneurial Growth

Though the enterprises have developed in an impressive way, there are certain limitations in their establishment, survival and expansion.

1. Poor Access to Finance and Credit

- One of the biggest barriers for entrepreneur is lack of time and adequate institutional finance.
- Startups often rely on their own funds, family or informal lenders, due to limited access to formal credit, at an early stage.
- It can be a difficult feat for many entrepreneurs to obtain a loan without collateral.
- There is still a big gap in credit even after implementation of government schemes, credit guarantee schemes etc.

2. High Collateral Requirements

- Banks typically will need some sort of collateral or financial statements before giving a loan.
- Typically, the first generation business owner and new entrepreneur don't have the assets or credit history.
- This also restricts institutional financing, especially for the micro and small businesses.

3. Complicated Regulatory and Compliance Requirements

- There are several registrations, taxes, labour laws, environmental clearances, and reporting requirements to be met by entrepreneurs.
- The ease of doing business has improved, but also the time required for compliance with the regulations is still significant, particularly for small businesses.

4. Government Schemes: Lack of Information

- There are numerous entrepreneurs who don't know about these government support schemes, subsidies, incubation facilities and financial support.
- Underutilization and inefficiency of entrepreneurial support programs is due to lack of awareness.

5. Lack of Skills and Limited Entrepreneurial Capacity

- The majority of business owners don't have the managerial, financial, marketing and digital skills needed to expand their business.
- Skilled and technical workers are rare and this has an impact on enterprises productivity and competitiveness.

6. Technology Adoption Challenges

- The difficulty of the small enterprises to adopt advanced technologies is due to the following reasons:
 - Implementation costs high
 - Lack of technical knowledge
 - Poor digital infrastructure
- It hampers innovation and operational efficiency.

7. Lack of Research and Development (R&D)

- The lack of funds is causing many start-ups and MSMEs to invest little in research and product development, innovation, and quality improvement.
- Many entrepreneurs and MSMEs are spending minimal amount of money on research, product development, innovation, quality improvement etc. due to lack of funds.

8. Limited market access

- Entrepreneurs often struggle with:
 - Access to national and international market.
 - Develop robust marketing and branding skills.
 - Get into global value chains.
- Market linkage problems restrict business expansion

9. Poor Infrastructure

- Logistics, irregular power supply, weak Internet connections, transport delays and lack of industrial facilities drive up the cost of operation.
- These problems are more pronounced in rural and remote areas.

10. Information Asymmetry and Bad Financial Record-Keeping

- Many small businesses have no proper Bookkeeping, Audited Financial Statements and Formal Business Records.
- This makes it difficult to gauge credit and weakens the lending confidence.

11. Delayed Payments and Cash Flow Constraints

- Lack of liquidity for MSMEs as a result of delay in customer payments, particularly large customer.
- Limited cash flow which restricts working capital and therefore the growth of business.

12. Regional Disparities

- The entrepreneurial ecosystem is still dominated by large cities.
- There is limited availability of incubators, investors, mentors and institutions that facilitate innovation in rural and less developed areas.

13. Lack of innovation ecosystem in some regions

- There are disparities in access to incubator centers, accelerators, research institutes, industry connections, mentorship etc., between the States.
- It affects the growth of start-ups and innovation based entrepreneurship.

The Potential for the Future Regarding Keeping Entrepreneurship Alive and Thriving

1. Improving access to finance and providing alternative sources of funding: A broadened Venture Capital network, Angel Investment Network, Fund of Funds for Startups (FFS) and Credit Guarantee Scheme will benefit entrepreneurs in securing finance at the right time, especially in initial stages.” It will help businesses and MSMEs stay sustainable and innovative, by improving their financial inclusion.

Source: the Ministry of Commerce and Industry (DPIIT) and the Ministry of MSME.

2. Encouraging innovation, research and deep-tech entrepreneurship: Raising investments in R&D, innovation, artificial intelligence (AI), biotechnology, semi-conductors, green technologies and developing physical and intellectual property (IP) will enable startups to produce competitive on a global level products and create high value jobs.

Source: Draft National Deep Tech Startup Policy, NITI Aayog; Startup India.

3. Promoting entrepreneurship by developing skills and providing incubation: Strengthening entrepreneurship education, incubation centres, mentoring networks and collaboration between industry and academia through programmes like Atal Innovation Mission (AIM) and Startup India will enable aspiring entrepreneurs to have access to their skills along with relevant facilities and support for start-up and growth of their businesses.

Source: NITI Aayog, Atal Innovation Mission (AIM) and Startup India.

4. Promoting inclusive and regional entrepreneurship: Enabling women, youth, members of the Scheduled Castes (SC), members of the Scheduled Tribes (ST), rural entrepreneurs and start-up entrepreneurs from Tier-II and Tier-III cities will help in achieving balanced regional development and lead to job creation contributing to the growth of the entrepreneurial ecosystem.

Source: DPIIT, Ministry of MSME; Startup India.

5. Establishing a regulatory environment that is favourable to business: Reducing business regulations, digitizing government services, speeding up government approvals, making compliance business-friendly and enhancing ease-of-doing-business will all contribute to new business creation and the survival and growth of new startups.

Source: Department for Promotion of Industry and Internal Trade (DPIIT); National Single Window System, Government of India.

CONCLUSION

The emergence of entrepreneurship has played a significant role in the economic development of India as it presents a scope for innovation, employment generation, investment and inclusive growth. In the past decade, the Government of India has taken several initiatives to boost the entrepreneurial ecosystem, such as Startup India, Atal Innovation Mission, MSME support schemes, and more. Despite the fact that still some challenges are blocking the development of entrepreneurship, like the lack of access to capital, regulation, skills and market, the constant policy support, technology improvements and access to capital and mentoring hold great potential going forward. With a supportive ecosystem for innovation, resurgence of institutional strength, and a culture of entrepreneurship across all regions, and amongst all social groups, India will be able to create a strong and competitive start up ecosystem to drive sustainable economic growth, job creation and national development.

India has now successfully crossed 10 years of the Startup India initiative and India's Startup ecosystem is now entering the Next 10 Years stage, where it is expanding towards sustainable scale and deeper interaction with the real economy. Today, after 10 years, the startup ecosystem in India is not only about the size, but also about structural change that will make use of its demographic dividend, digital public infrastructure and its reform agenda. Priority sectors have become a common phenomenon and startups are being nurtured for their innovation and employment generation capabilities, while the global market is now being connected. With India's journey towards becoming a \$7.3 trillion economy by 2030 and the broader vision of Viksit Bharat 2047, startups are expected to continue to be the drivers of the country's development and a sustainable and enduring emblem of India's economic future.

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