

Vikasith Bharat—Startup Ecosystem in India

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Abstract

The "Start-up India, Stand Up India" program, launched by the Indian government in 2016, is integral to achieving Vikasit Bharat, aimed at transforming India into a developed nation by 2047. The initiative focuses on inclusivity, innovation, job creation, and easing compliance requirements. It promotes innovation via hackathons, incubators, and partnerships while improving access to finance through tax incentives and venture capital. With 159,000 recognized companies and over 112 unicorns, India has the world's third-largest startup ecosystem, following the US and China, covering sectors like fintech, edtech, agritech, healthtech, and artificial intelligence. However, Indian startups encounter challenges that affect their sustainability and global competitiveness. This paper explores the opportunities and challenges within the Indian startup ecosystem.

A startup initiates with a novel idea, assembles a small team, and seeks funding from investors to develop their product and accelerate growth. They create a distinctive product, service, or innovation aimed at addressing a specific problem or a market need.

1. Growth of startups in India

The startup industry has been significantly impacted by the mindset of youth, government, and the environment regarding funding availability and investment willingness. Graduates from IIT, IIM, and other institutions are aspiring to start startups, fueled by an environment that breaks the glass ceiling and provides confidence in their abilities.

India's demographic dividend is tied to startups, with 65% of the young population under 35, leading to the creation of nearly 1.6 million jobs and reshaping the country's demographic advantage. This situation supports young, dynamic workers and has the potential to be converted into economic growth through startups. By empowering these individuals through entrepreneurship, creativity, and skills, India's startup ecosystem can become a powerful tool for job creation and sustainable development.

Indian startups are prevalent everywhere. Startups play a significant role in our daily lives. Paytm and PhonePe, educational technologies like Unacademy, Byju's, and Physics Wallah, and food tech companies like Zomato and Swiggy all provide services for our daily needs. The growth of deep technology, educational technology, renewable energy, electric vehicles, and agricultural technology is fueled by customer demand, government programs, and AI projects.

With more than 1.59 lakh companies recognized by the Department for Promotion of Industry and Internal Trade (DPIIT) as of January 15, 2025, India is now the third-largest startup ecosystem in the world. This vibrant ecosystem, driven by more than 100 unicorns, is revolutionizing innovation and entrepreneurship on a global scale. Major cities like Bengaluru, Hyderabad, Mumbai, and Delhi-NCR have been at the forefront of this shift, but smaller cities have also been contributing more to the nation's spirit of entrepreneurship. Startups in a variety of industries have directly produced over 16.6 lakh jobs, with IT services accounting for the largest number at 2.04 lakh, followed by healthcare

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(1.47 lakh), professional and commercial services (94,060), and education (90,414). This was possible with tax breaks, financial assistance, and sector-specific regulations

India, the world's 4th largest economy, boasts a thriving startup scene and young talent, yet it struggles to foster breakthrough innovation. India's tech ecosystem is predominantly based on platforms rather than products, connecting restaurants, delivery workers, and small sellers. These platforms often lack value creation and innovation, turning self-employed youth into gig workers with low pay and no growth path in the name of digital revolution. The question arises why Indian talent is not being utilized for building companies like Google, Tesla, and Nvidia in India.

At Startup Mahakumbh, remarks made by India's Commerce Minister Piyush Goyal regarding the nation's startup ecosystem raised controversy. According to him, Chinese entrepreneurs were focusing on EV, battery technology, semiconductors, and artificial intelligence, while Indian entrepreneurs were focused on "food delivery apps, fancy ice cream and cookies, instant grocery delivery, betting, fantasy and sport apps, reels, and the influencer economy."

Mohandas Pai, a well-known investor and former CEO of Infosys, says it is bad for businesses to be made fun of. 3.5-year-old Zepto, according to Aadit Palicha, employs 1.5 lakh people and has made significant investments in the supply of fresh produce. Shark Tank judge Anupam Mittal, the creator of Shadi.Com, stated that although we have deep tech companies, we lack the proper ecosystem to grow them. Although they can do a lot, startup founders are not all-inclusive. Even Amazon and Alibaba started as consumer internet services. Start-ups and IT companies are actually responsible for giving maximum jobs and uplifting middle class.

The startup community believes that various challenges are hindering their progress, while the government claims that they are not operating effectively. The question remains: will the government continue to encourage founders to dream big, or will it take action to facilitate those dreams

India as 67 internationally recognized unicorns, contributing to FDI and becoming the top source in Dubai with a \$3 billion investment, followed by the USA, France, and the UK.

Piyush Goyal, the minister of commerce, came up with the idea during the Startup Mahakumbh to establish a helpline to handle startup issues. Rather than doing this, we must follow China's example, in which officials call startups to address their issues.

China has been promoting innovation for years, receiving 40% of worldwide venture capital funding. In just ten years, Beijing has made 1.4 trillion dollars in technology investments, surpassing India's 5%. This growth demonstrates China's significant role in global technology development. China has encouraged the high-tech firms by forgiving \$361 billion in tax and fees in 2024 for their value addition and research and development. Chinese companies like BYD, EVtech, Superconductors, and Quantum Computers were supported by the government through funding and research. China is leading in robot-based manufacturing, surpassing even America, with a nearly 496 billion research and development budget in 2024, compared to India's 23 billion. In paper contributors, conferences, breakthroughs, and models, we are already at 14th rank in the world. This will continue to grow as the brain drain is increasing. Nearly 1.3 million people left India. We need to answer these questions before we start talking about the largest GDP.

Entrepreneurs are facing endless challenges for acquiring permissions, licenses, approvals, GST registration, and land acquisition. Complex tax laws, multiple permissions, bureaucratic red tapism, and frequent changes in government policies hinder startup growth. Venture capital and angel funding are confined to urban areas only. Startups are also facing the challenge in terms of skilled workforce and advanced technology. Local competition, poor infrastructure and planning, and global competition in terms of trade laws, data protection rights, and FDIs are the major challenges that are faced by the Indian startups.

To tackle these challenges, robust action is required, particularly in academics, focusing on STEM courses and increasing funding for research and development. The mindset should be changed from history to science. A special government committee should meet with startup founders and entrepreneurs. A special government committee should meet with startup founders and entrepreneurs to address their issues and grant fast clearance for setup and a strong supply chain, thereby assisting startups and MSMEs. It is high time to bring radical policies, as we did in 1990 to abolish license raj to end red tapism and corruption.

A way forward

Indian startups have a promising future due to a thriving ecosystem and expanding market, which could lead to India becoming a developed country by 2047.

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