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Entrepreneurship and The Startup Ecosystem in India: Opportunities, Challenges, and Emerging Trends (2016–2026)

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Abstract- India's startup ecosystem grew from 502 government-recognised startups in 2016 to 2,50,046 by 27 October 2026, with more than 25.42 lakh self-reported direct jobs. Private venture funding, however, peaked at about US$42 billion in 2021 and has since settled at US$10–12 billion a year. This study asks why entrepreneurial breadth keeps rising while capital depth does not. Using a descriptive–analytical design on triangulated secondary data from the Department for Promotion of Industry and Internal Trade (DPIIT), Parliament replies, the National Payments Corporation of India, two private deal trackers, and peer-reviewed literature, the study maps the ecosystem onto Stam's entrepreneurial-ecosystem framework and computes derived indicators. Funding deals per 1,000 newly recognised startups fell from about 78 in 2021 to about 19 in 2025. Some 52% of recognised startups are now outside metros, yet Bengaluru alone took about 42% of 2025 funding. Only about 1.8% of recognised startups hold the Section 80-IAC tax-holiday certificate, and 18 startup IPOs raised about INR 41,283 crore in 2025. The study argues that India has moved from a formation problem to a scaling problem and recommends outcome-based incubation, patient capital for deep technology, procurement-led demand, and better outcome data.

Keywords: Entrepreneurship; Startup ecosystem; Venture capital; Digital public infrastructure; Startup India; Deep tech; Innovation policy

I. INTRODUCTION

Entrepreneurship drives job creation, competition, and the diffusion of new technology. Few countries illustrate the policy interest in entrepreneurship as clearly as india, which launched the startup india initiative on 16 january 2016 and has since built one of the largest government-recognised startup populations in the world (press information bureau, ministry of commerce & industry, 2026a). The headline numbers are striking: dpiit recognised 2,07,135 startups by 31 december 2025 (press information bureau, ministry of commerce & industry, 2026a), over 55,200 in financial year (fy) 2025–26 alone (press information bureau, ministry of commerce & industry, 2026b), and 2,50,046 by 27 october 2026 (department for promotion of industry and internal trade, 2026b).

These numbers, however, sit uneasily beside the private-capital record. Inc42 data show that indian startups raised about us$42 billion in 2021, us$25 billion in 2022, us$10 billion in 2023, us$12 billion in 2024, and us$11 billion in 2025 (inc42, 2024, 2025a). Formation has accelerated even as capital has contracted. Understanding this divergence matters for policymakers deciding where public money should go next, for founders choosing business models, and for researchers who need to know which indicators actually describe ecosystem health.

Earlier work has described indian startup drivers and barriers through interviews (korreck, 2019), evaluated startup india's first years (tiwari et al., 2021), And critiqued its reliance on financial incentives (nagaraj et al., 2025). Much of that literature predates the 2022–2025 funding correction, the 2024 abolition of the "angel tax" (business standard, 2024), the 2025 ipo wave (inc42, 2025b), and the february 2026 redefinition of startups that created a separate deep-tech category (department for promotion of industry and internal trade, 2026a). This paper updates the evidence base through october 2026.

The study draws on the entrepreneurial-ecosystem approach. Isenberg (2010) argued that entrepreneur-ship flourishes when policy, finance, culture, support services, human capital, and markets reinforce each other, and stam (2015) separated framework conditions (formal institutions, culture, physical infrastruc-ture, demand) from systemic conditions (networks, leadership, finance, talent, knowledge, intermediaries), whose interaction produces productive entrepreneurship. A content analysis of 392 articles by kumar et al. (2024) Identified government assistance, academic spillovers, and open innovation as recurring themes. The Knowledge spillover theory of entrepreneurship (acs et al., 2009) Explains why research investment shapes entrepreneurial opportunity, and the resource-based view (barney, 1991) explains why startups without proprietary technology, data, or distribution struggle to grow.

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For india, korreck (2019) identified market size, technological change, and changing attitudes as drivers, and funding, regulation, and talent as barriers. Tiwari et al. (2021) Found that startup india reduced regional disparities but did little for women and marginalised groups, and nagaraj et al. (2025) Criticised its reliance on financial incentives. India's digital public infrastructure (identity, interoperable payments, and consented data sharing) is widely seen as a public good that lowers the cost of serving small customers (alonso et al., 2023). Few studies, however, link policy to capital-market outcomes, compare official and private data, or measure how startup formation and funding have diverged since 2021.

This paper was therefore carried out to assess the present status of india's startup ecosystem between 2016 and october 2026, to examine the infrastructure, policy, and capital conditions that create opportunities for entrepreneurs, to identify the barriers that prevent startups from scaling, and to outline the emerging trends and their implications for policy and practice.

II. AREA UNDER STUDY

The study covers the whole of india, a federation of 28 states and 8 union territories with a population of about 1.4 Billion. Activity is nevertheless concentrated. In march 2026, maharashtra had over 38,660 recognised startups, karnataka about 22,600 and uttar pradesh about 21,960, together more than a third of the national total (fig. 1) (Press information bureau, ministry of commerce & industry, 2026b). Bengaluru, the delhi national capital region and mumbai remain the main hubs for venture capital, talent and corporate headquarters, while formation is spreading quickly to smaller cities: annual startup formation in tier-3 cities rose from about 1,600 in 2016 to about 26,100 in 2025, overtaking tier-1 cities (fig. 2) (Dt next, 2026). The unit of analysis is the national ecosystem, with state and city patterns used where data allow.Table 1 summarises the profile of the area under study**.**

Table 1 Profile of the Study Area: India's Startup Ecosystem

Indicator	Value	Reference period
States / Union Territories covered	28 / 8	2026
DPIIT-recognised startups (cumulative)	2,50,046	27 Oct. 2026
Self-reported direct jobs	25.42 lakh+	27 Oct. 2026
Startups recognised in the financial year	55,200+	FY 2025–26
Share of startups outside metro cities	52%	Oct. 2026
Startups with at least one woman director	48%	Oct. 2026
States/UTs with a startup policy	32	Oct. 2026
Recognised startups: Maharashtra	38,660+	31 Mar. 2026
Recognised startups: Karnataka	22,600	31 Mar. 2026
Recognised startups: Uttar Pradesh	21,960	31 Mar. 2026
New startups formed: Tier-3 cities / Tier-1 cities	26,100 / 6,600	2025
Bengaluru's share of startup funding	≈42%	2025

Sources: department for promotion of industry and internal trade (2026b); press information bureau, ministry of commerce & industry (2026b); dt next (2026); inc42 (2025a).

1. Database and Research Methodology

The study is descriptive and analytical and relies only on secondary data. The period is 2016 (launch of startup india) to october 2026, with detailed evidence for 2021–2026. No primary survey was conducted. Table 2 lists the source families. Official data come from dpiit statements, press information bureau (pib) releases, and written replies in parliament. Payment data come from npci, reported through national business media. Private-market data come from inc42 and tracxn. Where a primary portal could not be

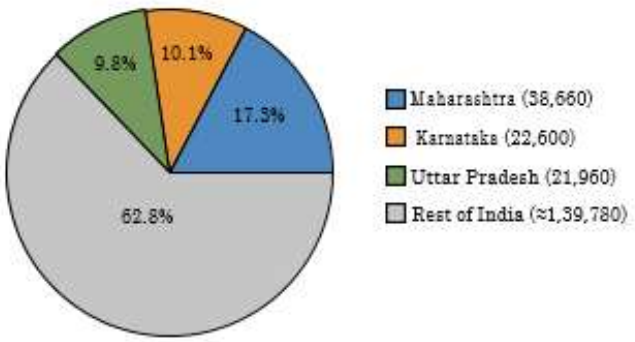

Fig. 1. Share of dpiit-recognised startups by state, 31 march 2026 (total ≈2.23 Lakh). Source: press information bureau, ministry of commerce & industry (2026b).

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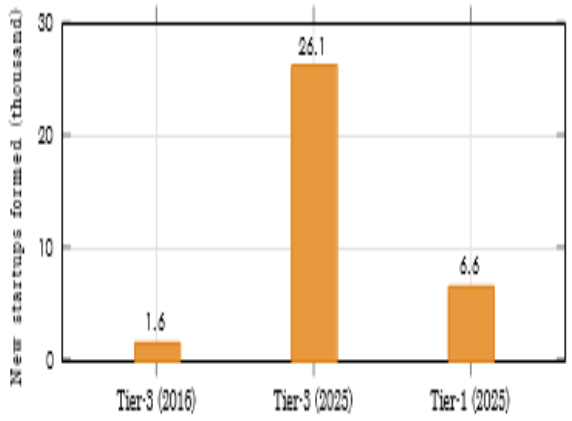

Fig. 2. Annual startup formation by city tier. Source: iit madras crest study as reported in dt next (2026).

Accessed directly, figures were taken from reputable outlets that reproduce the official text, and the original source is named. The workflow is summarised in fig. 3. We (i) built time series for recognitions, jobs, funding, deals, unicorns, ipos, and upi; (ii) computed compound annual growth rates (cagr), year-on-year changes, shares, and ratios; (iii) cross-checked every private-market figure against at least one other tracker or report; and

Table 2
Data Sources Used In The Study

Source family	Indicators	Coverage
DPIIT / PIB / Parliament	Recognitions, jobs, women directors, closures, scheme outputs	2016–Oct. 2026
NPCI (via media)	UPI volume and value	2023–Oct. 2026
Inc42	Funding, deals, unicorns, IPOs	2014–Q3 2026
Tracxn	Funding, rounds, IPOs, M&A	2023–H1 2026
IIT Madras CREST	Incubator outcomes, tier-wise formation	2016–2025
WIPO GII	Innovation rank and pillars	2025–2026
Peer-reviewed / think-tank	Theory and prior evaluations	1991–2025

(Iv) organised the findings with the framework of stam (2015) (fig. 4). The formulas used are given in section 13.1.

Three caveats apply. First, dpiit counts are certificates issued; year-wise counts are revised between releases as certificates are cancelled or expire, so we use one release vintage per series where possible. Second, "jobs" are self-reported by startups. Third, private trackers use different definitions of startups, deals, and cut-off dates, so their totals differ (section 8).

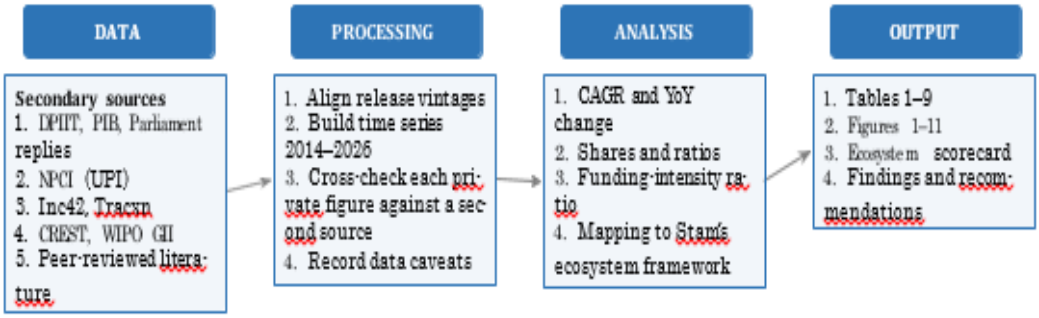

Fig. 3. Data sources and research methodology.

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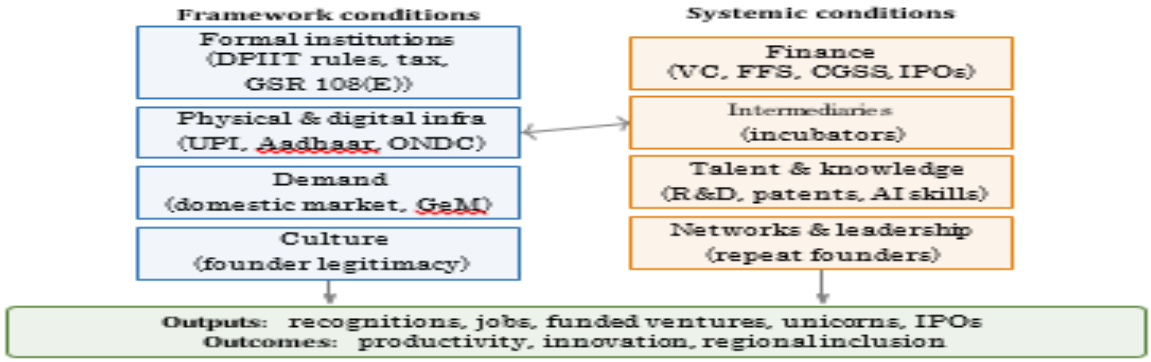

Fig. 4. Analytical framework: the entrepreneurial-ecosystem elements of stam (2015) mapped to indian indicators used in this study.

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IV. RESULTS AND DISCUSSION

The results are presented thematically, following the structure of the ecosystem framework in fig. 4. Sections 5–7 document startup formation, digital public infrastructure, and the policy framework, which together lowered the cost of starting up. Sections 8–9 turn to venture funding and exits, where the gap between formation and scaling appears most clearly. Sections 10–15 then discuss opportunities, barriers, trends, indicators, the overall assessment, and the wider impact of the ecosystem.

Phase i (pre-2010) was led by it-services exporters and early internet firms, which built the talent pool and showed that a domestic digital market existed (korreck, 2019). Phase ii (2010–2019) saw smartphone and low-cost mobile-data adoption drive consumer-internet, fintech, and logistics platforms, and the formal launch of startup india in 2016. Phase iii (2020–present) combines a formation boom with a funding correction, the spread of startups beyond metros, and a policy shift toward deep technology.

1. Startup Recognitions and Employment

The base of recognised startups grew to 1,97,692 by october 2025 (ministry of commerce & industry, 2025), 2,07,135 at end-2025 (press information bureau, ministry of commerce & industry, 2026a), and 2,50,046 on 27 october 2026 (department for promotion of industry and internal trade, 2026b). Annual recognitions rose from 502 in 2016 to 49,429 in calendar 2025, a cagr of about 66.5% (Fig. 5) (Press information bureau, ministry of commerce & industry, 2026a). In financial-year terms, recognitions were about 34,200 in fy 2023–24, 36,440 in fy 2024–25, and over 55,200 in fy 2025–26, a 51.6% Jump and roughly 151 a day (department for promotion of industry and internal trade, 2026b; press information bureau, ministry of commerce & industry, 2026b). Self-reported direct jobs exceeded 25.42 Lakh in october 2026, or about 10 per recognised startup (department for promotion of industry and internal trade, 2026b).Table 3 gives calendar-year recognitions and jobs for 2021–2025 from the february 2026 rajya sabha reply. Recognitions grew about 31% in 2022 and 2023, dipped 1.6% In 2024, and jumped 44% in 2025.

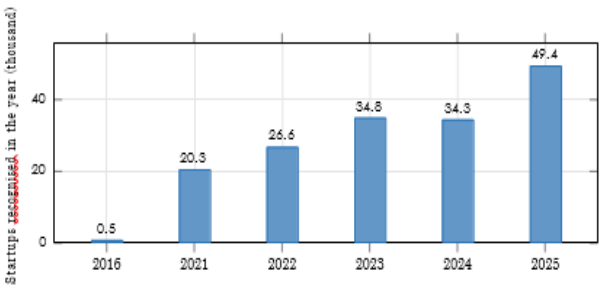

Fig. 5. Startups recognised by dpiit in each calendar year.

Source: press information bureau, ministry of commerce & industry (2026a).

Table 3 Annual DPIIT Recognitions and Self-Reported Jobs, 2021–2025

Year	Recognised	YoY (%)	Direct jobs
2021	20,282	–	2,11,316
2022	26,596	31.1	2,74,920
2023	34,842	31.0	3,92,181
2024	34,294	−1.6	3,51,921
2025	49,429	44.1	4,67,549
Total	1,65,443		16,97,887

Source: pib release of feb. 2026 (Press information bureau, ministry of commerce & industry, 2026a). Counts are certificates issued and may be revised in later releases.

1. *Geographical And Gender Distribution*

By october 2026, 52% of recognised startups were in non-metro cities and 48% had at least one woman director (department for promotion of industry and internal trade, 2026b). In march 2026 maharashtra led with over 38,660 recognised startups, followed by karnataka (22,600) and uttar pradesh (21,960) (press information bureau, ministry of commerce & industry, 2026b). The iit madras crest study reports that annual startup formation in tier-3 cities rose from about 1,600 in 2016 to about 26,100 in 2025, overtaking tier-1 cities (about 6,600 in 2025) (dt next, 2026). Churn remains modest in the official data: 6,385 recognised startups (about 3.2%) Were classified as closed by october 2025 (ministry of commerce & industry, 2025). Official survival data are not published, so this figure understates failure, because dormant firms are not necessarily struck off.

V. DIGITAL PUBLIC INFRASTRUCTURE

Upi has become the default retail payment rail and a distribution channel for startups. The imf estimates that e-kyc cut banks' compliance cost per customer from about us$12 to us$0.06 (Alonso et al., 2023). Annual upi volume rose from 117.6 Billion transactions (inr 182.9 Lakh crore) in 2023 to 172.2 Billion (inr 246.8 Lakh crore) in 2024 and 228.3 Billion (about inr 300 lakh crore) in 2025 (business today, 2026), a two-year volume cagr of about 39% (fig. 6). Fy 2025–26 volume was about 24,162 crore (241.6 Billion) transactions worth about inr 314 lakh crore, and 86% of person-to-merchant payments were below inr 500 (newkerala (ians), 2026). In october 2026 upi processed 25.47 Billion transactions worth inr 31.53 Lakh crore (free press journal (ians), 2026). Low-value, high-frequency payments make micro-transactions, subscriptions, and small-merchant lending viable at scale.

The open network for digital commerce (ondc) unbundles buyer apps, seller apps, and logistics. Its adoption is fragile: retail orders reportedly fell from a peak of about 65 lakh in

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october 2024 to around 40 lakh in may 2025 after network-participant incentives were reduced (swarajya, 2025). Infrastructure lowers

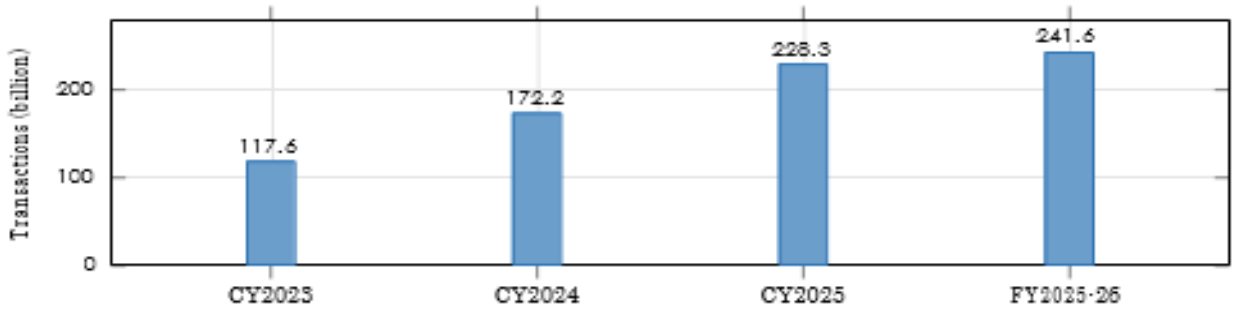

Fig. 6. Upi annual transaction volume. Source: npci data as reported in business today (2026) and newkerala (ians) (2026).

Entry costs, but it does not by itself create sustained demand.

VI. POLICY FRAMEWORK AND GOVERNMENT SCHEMES

Table 4 summarises the main instruments and their latest reported outputs. Three reforms changed the incentive structure. The union budget of 23 july 2024 abolished the angel tax under section 56(2)(viib) for all classes of investors, effective fy 2025–26 (business standard, 2024). Notification g.S.R. 108(E) of 4 february 2026 raised the startup turnover ceiling from inr 100 crore to inr 200 crore, created a deep tech startup category with a 20-year window and a inr 300 crore ceiling, and admitted cooperative societies (department for promotion of industry and internal trade, 2026a). The cabinet approval of a inr 10,000 crore startup india fund of funds 2.0 Was announced on 14 february 2026, targeting deep tech, technology-driven manufacturing, and early-growth startups (union cabinet, government of india, 2026), and in july 2025 approved a inr 1 lakh crore research development and innovation (rdi) scheme offering long-tenor, low- or nil-interest finance for private r&d, including a deep-tech fund of funds (prime minister's office, 2025).

Table 4

1. Key Policy Instruments and Reported Outputs

Instrument	Latest reported status
Fund of Funds (FFS 1.0, 2016)	INR 10,000 crore corpus fully committed to 145 AIFs; AIFs invested over INR 25,500 crore in 1,370+ startups (Union Cabinet, Government of India, 2026). By Oct. 2026, SIDBI commitments of INR 12,623 crore to 166 AIFs and AIF investment of INR 28,254 crore in 1,475 startups (Department for Promotion of Industry and Internal Trade, 2026b).
Startup India FoF 2.0	INR 10,000 crore; approval announced 14 Feb. 2026; deep-tech and manufacturing focus (Union Cabinet, Government of India, 2026).
Seed Fund (SISFS)	INR 775.67 crore approved for 4,194 startups via 244 incubators; 2,147 women-led and 2,356 Tier-II/III startups (Department for Promotion of Industry and Internal Trade, 2026b).
Credit Guarantee (CGSS)	532 loans worth INR 1,662.71 crore guaranteed; cover raised from INR 10 crore to INR 20 crore per borrower (Department for Promotion of Industry and Internal Trade, 2026b).
Tax (80-IAC, angel tax)	4,467 startups hold 80-IAC certificates (Department for Promotion of Industry and Internal Trade, 2026b); angel tax abolished from FY 2025–26 (Business Standard, 2024).
Definition (G.S.R. 108(E))	INR 200 crore / 10 years; deep tech INR 300 crore / 20 years (Department for Promotion of Industry and Internal Trade, 2026a).
RDI scheme (2025)	INR 1 lakh crore for private R&D via ANRF (Prime Minister's Office, 2025).
Procurement (GeM)	43,260 startups registered; 6.23 lakh orders worth INR 68,105 crore (Department for Promotion of Industry and Internal Trade, 2026b).
Regulatory reform	63 startup reforms; 47,957 compliances reduced; state startup policies up from 4 (2016) to 32 (Department for Promotion of Industry and Internal Trade, 2026b).

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VII. VENTURE FUNDING

Table 5 and fig. 7 Show the cycle in inc42's series. Funding hovered between us$5.4 And 13 billion from 2014 to 2020, spiked to us$42 billion across 1,584 deals in 2021, and fell 76% to us$10 billion in 2023 (inc42, 2024). It recovered to us$12 billion in 2024 and eased 8% to us$11 billion across 936 deals in 2025 (inc42, 2025a). In 2026 the correction continued: h1 totalled us$5.2 Billion across 501 deals, down 9% (inc42, 2026a); and q3 rose 5% to us$2.2 Billion across 210 deals (inc42, 2026b). January–september 1. Therefore totals about us$7.4 Billion on inc42's count.

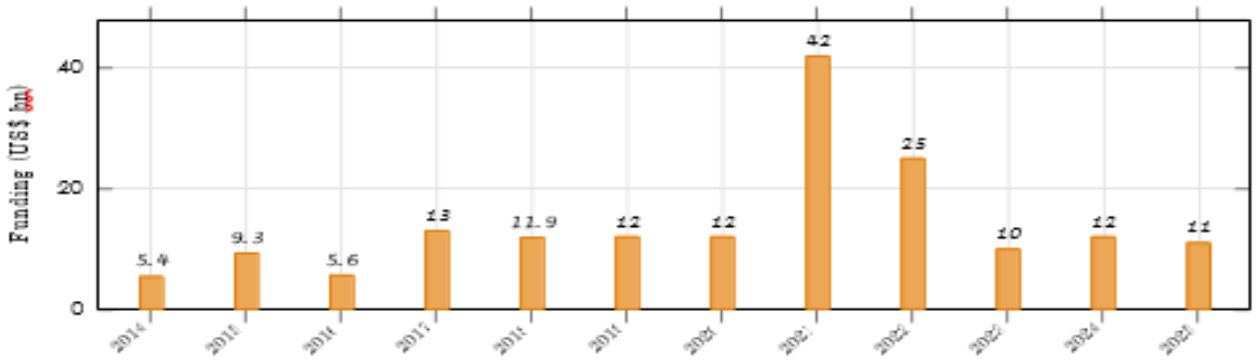

Fig. 7. Annual funding raised by Indian startups (Inc42 series) (Inc42, 2024, 2025a).

Table 5 Funding, Deals, Unicorns, and Listings, 2021–2025

Year	US$ bn	Deals	New unicorns	Tech listings
2021	42	1,584	45	11
2022	25	1,517	22	3
2023	10	897	2	5
2024	12	993	6–7	13
2025	11	936 5 † 1 8	936 5 † 1 8	936 5 † 1 8

Sources: inc42 (inc42, 2024, 2025a, 2025b). †As reported by tracxn (tracxn, 2025); other trackers report higher counts.

1. *Differences Across Data Trackers*

Table 6 shows that the two main trackers disagree by up to 40% for the same period. Tracxn counts us$10.5 Billion in 2025, against inc42's us$11 billion across 936 deals (inc42, 2025a; tracxn, 2025). For h1 2026 the spread is wider: inc42 reports a 9% fall to us$5.2 Billion, while tracxn reports a 12% rise to us$7.2 Billion (business standard, 2026; inc42, 2026a). Even the direction of change can differ, so any single-source claim about "recovery" or "decline" should be treated with caution.

Table 6 Same Market, Different Numbers: Tracker Comparison

Period Tracker	US$ bn	Deals / YoY
CY 2025 Inc42 (Inc42, 2025a)	11.0	936 deals; −8%
Tracxn (Tracxn, 2025)	10.5	–
H1 2026 Inc42 (Inc42, 2026a)	5.2	501; −9%
Tracxn (Business Standard, 2026)	7.2	652; +12%

3. Capital Concentration and Startup Exits

Capital is concentrated by size, place, and stage. Mega-rounds (us$100 million or more) numbered 18 in 2025 and took 32% (us$3.5 Billion) of funding (fig. 9) (Inc42, 2025a). Bengaluru-based startups raised us$4.6 Billion across nearly 300 deals in 2025, about 42% of the total (inc42, 2025a), and 64% of the total in q3 2026 (inc42, 2026b).

The exit channel, in contrast, has opened (fig. 8). Eighteen new-age technology companies listed in 2025, up from 13 in 2024 and five in 2023, raising about inr 41,283 crore (inc42, 2025b). Ipos have therefore given early investors a route to liquidity, and recycled capital may fund the next cohort.

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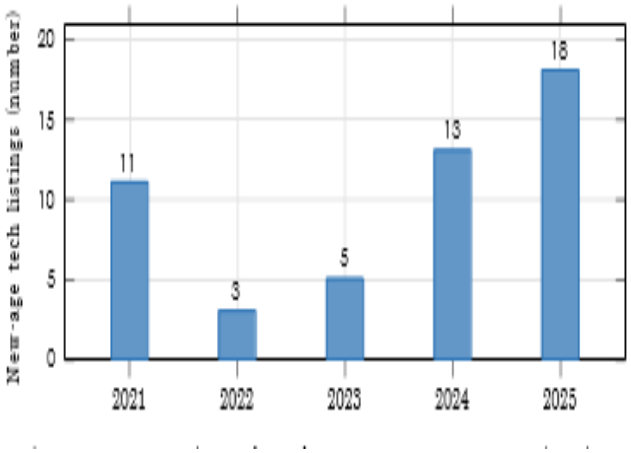

Fig. 8. Startup (new-age technology) ipos in india, 2021–2025. Source: inc42 (2024); inc42 (2025b).

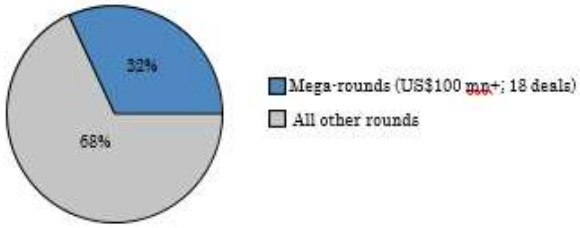

Fig. 9. Share of 2025 venture funding taken by mega-rounds (us$100 million or more). Source: inc42 (2025a).

4. Opportunities for Entrepreneurs

India ranks third in the world on domestic market scale in the gii 2026, and first on ict services exports as a share of trade (world intellectual property organization, 2026). Combined with upi and e-kyc (alonso et al., 2023), This makes it possible to acquire and serve low-income or small-business customers profitably, which was not true a decade ago.

1. *Sectoral Opportunities*

Table 7 maps sectors to their value drivers and to evidence from the data. Fintech, among the most-funded sectors, raised about us$2.5 Billion in 2025, and e-commerce about us$1.7 Billion (inc42, 2025a). The new deep-tech category and fof 2.0 Also signal growing official support beyond consumer internet (department for promotion of industry and internal trade, 2026a; union cabinet, government of india, 2026).

Table 7

Sector	Value drivers	Evidence (2025–26)
Fintech	UPI, e-KYC, account aggregator; MSME and Tier-2/3 credit	Among top-funded sectors, ≈US$2.5 bn in 2025 (Inc42, 2025a)
AI and deep tech (Department	Vertical AI, compute, semiconductors, space	Deep-tech category (G.S.R. 108(E)) for Promotion of Industry and Internal Trade, 2026a); FoF 2.0 focus (Union Cabinet, Government of India, 2026)
Climate and EV Cabinet,	Electric mobility, energy storage, efficiency	Priority sector under FoF 2.0 (Union Government of India, 2026)
Agritech	Farm productivity, supply chain, credit	Agriculture among FFS-backed sectors (Union Cabinet, Government of India, 2026)
Consumer and D2C 2025a);	Tier-2/3 demand, quick commerce, vernacular	E-commerce ≈US$1.7 bn in 2025 (Inc42, Meesho, Lenskart IPOs (Inc42, 2025b)

The government e-marketplace (gem) now lists 43,260 startups that have received 6.23 Lakh orders worth inr 68,105 crore (department for promotion of industry and internal trade, 2026b), so the state can act as an early customer. The sisfs reached 2,147 women-led and 2,356 tier-ii/iii startups (department for promotion of industry and internal trade, 2026b), and women co-founded startups raised about us$1.0 Billion in 2025, about 9.5% Of tracxn's total (tracxn, 2025).

Barriers in startup scaling

Fig. 10 Groups the constraints. Each is discussed below.

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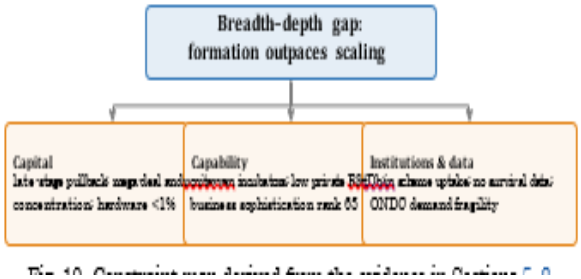

Fig. 10. Constraint map derived from the evidence in Sections 5–8.

Capital scarcity and concentration. Late-stage capital is the binding constraint. Inc42 reports that late-stage deployment fell 27% year on year to us$2.2 Billion in h1 2026, and mega-rounds dropped from 11 to four (inc42, 2026a). Tracxn reports that late-stage funding fell 26% to us$5.5 Billion in 2025 while early-stage funding rose 7% to us$3.9 Billion (tracxn, 2025). Early-stage firms can still raise money; firms trying to scale find it harder. Geographic concentration in bengaluru (section 8) means that the 52% of startups outside metros compete for a small share of capital.

Uneven incubation quality. India's incubators vary widely in quality. The crest study finds that among 840 incubators classified as weak ecosystems only 17% of supported startups raise funding, against a median of about 70% in 207 strong ecosystems (the mainstream, 2026), and about 19,200 startups are supported by only a single incubator (dt next, 2026). Counting incubators says little; what they deliver is what matters. Deep-tech and capability gaps. Deep-tech firms need long development cycles, specialised talent, and patient capital. India performs better on innovation outputs (rank 25) than on inputs (rank 49), and ranks 54th on human capital and research, 62nd on infrastructure, and 63rd on business sophistication in the gii 2026 (world intellectual property organization, 2026). Startup patent filings rose from over 2,850 in fy 2024–25 to over 4,480 in fy 2025–26 (press information bureau, ministry of commerce & industry, 2026b), but the base remains small relative to 2.5 Lakh startups. The rdi scheme (prime minister's office, 2025) and fof 2.0 (Union cabinet, government of india, 2026) target this gap but were too recent to evaluate at the

Time of writing.

Thin policy uptake and implementation lags. Headline schemes reach a small minority. Only 4,467 startups hold the 80-iac certificate (department for promotion of industry and internal trade, 2026b), about 1.8% Of the base. Fund-of-funds deployment has lagged commitments: by the end of fy 2025–26, over inr 7,000 crore of the inr 10,000 crore ffs corpus had been disbursed to aifs, a decade after launch (press information bureau, ministry of commerce & industry, 2026b). This supports the findings of tiwari et al. (2021) And nagaraj et al. (2025) That financial incentives alone cannot carry the ecosystem.

Inequality and data gaps. Women's representation on boards (48%) is not matched by their share of capital (about 9.5%) (Department for promotion of industry and internal trade, 2026b; tracxn, 2025). The absence of official survival or revenue data makes it impossible to judge whether the jobs and recognitions figures reflect durable firms. As section 8 showed, private trackers disagree with each other, which adds uncertainty.

10. Emerging Trends

- T1: deep tech becomes a policy category. The 2026 definition, fof 2.0, And the rdi scheme together form the first integrated deep-tech package (department for promotion of industry and internal trade, 2026a; prime minister's office, 2025; union cabinet, government of india, 2026).
- T2: ipo-led maturity. Startup listings reached a record 18 in 2025, and about 20 more new-age firms were in the listing queue at the end of 2025 (inc42, 2025b). Public-market discipline (profitability and governance) now shapes private valuations.
- T3: bharat-first formation. Tier-3 cities now produce more new startups than tier-1 cities (dt next, 2026), and 32 states/uts have startup policies (department for promotion of industry and internal trade, 2026b).
- T4: domestic and patient capital. Reforms allow insurance companies, epfo, and superannuation and gratuity funds to invest in aifs (department for promotion of industry and internal trade, 2026b), which could reduce dependence on foreign late-stage capital.
- T5: trust-based regulation. The jan vishwas decriminalisation of 717 provisions in 2026 and the reduction of 47,957 compliances signal a shift from permission-based to trust-based governance (department for promotion of industry and internal trade, 2026b).
- T6: stable but mid-table innovation standing. India ranked 38th in the gii 2026 (world intellectual property organization, 2026); further gains depend on the input pillars where it ranks lowest.

11. Ecosystem Indicators

Table 8 presents the ratios that motivate this paper's central argument. The funding-intensity ratio fell from 78 deals per 1,000 new recognitions in 2021 to 19 in 2025, and funding per newly recognised startup fell by about 89% (fig. 11). Policy uptake is also thin: about 1.8% Of recognised startups hold the 80-iac certificate, and the 4,194 sisfs beneficiaries represent under 2% of the base.

Table 8 Derived Indicators (Authors' Calculations**)**

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Indicator	Value
CAGR of annual recognitions, 2016–2025	66.5%
Funding deals per 1,000 new recognitions, 2021	78.1
Funding deals per 1,000 new recognitions, 2025	18.9
Funding per new recognition, 2021 / 2025 (US$)	2.07 mn / 0.22 mn
Self-reported jobs per recognised startup, Oct. 2026	10.2
Share holding 80-IAC certificate, Oct. 2026	1.8%

Indicator	Value
Share classified as closed, Oct. 2025	3.2%
Bengaluru share of 2025 funding	≈42%
FFS AIF investment per INR 1 of SIDBI commitment, Oct. 2026	2.24
UPI volume CAGR, 2023–2025	39.3%

Computed from (business today, 2026; department for promotion of industry and internal trade, 2026b; inc42, 2024, 2025a; ministry of commerce & industry, 2025; press information bureau, ministry of commerce & industry, 2026a).

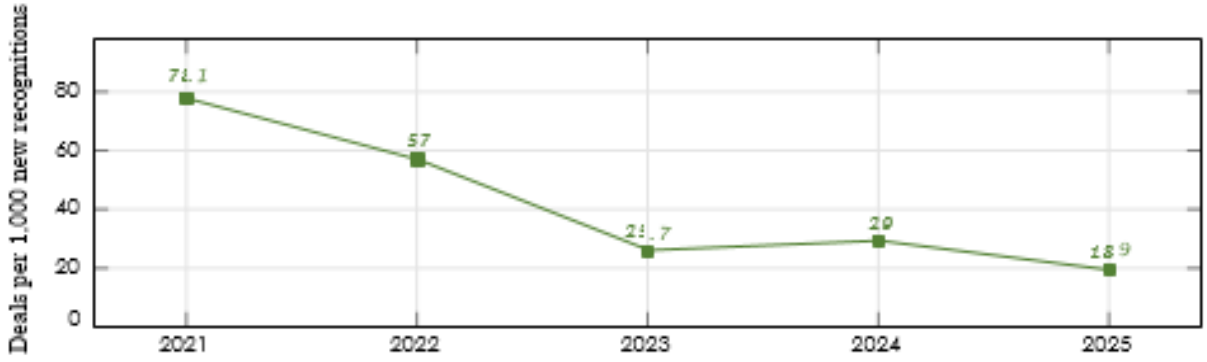

Fig. 11. Funding-intensity ratio: inc42 deal count divided by dpiit calendar-year recognitions, ×1,000 (inc42, 2024, 2025a; press information bureau, ministry of commerce & industry, 2026a).

1. *Calculating Indicator Values*

The compound annual growth rate (cagr) of a series between years T_0 And T_1 Is computed as

$$\text{CAGR} = \left(\frac{V_{t_1}}{V_{t_0}}\right)^{1/(t_1-t_0)} - 1,$$

and the funding-intensity ratio for year t as

$$\text{FIR}_t = 1000 \times \frac{\text{funding deals}_t}{\text{new DPIIT recognitions}_t}. \quad (2)$$

Fir is a descriptive ratio, not a probability that a given startup is funded, because funded firms are not restricted to that year's recognition cohort.

For example, annual recognitions grew from 502 in 2016 to 49,429 in 2025, giving a cagr of (49,429/502)1/9− 1 = 66.5%. In 2021 there were 1,584 funding deals against 20,282 new recognitions, giving fir = 78.1; In 2025 there were 936 deals against 49,429 recognitions, giving fir = 18.9. Shares are simple ratios of the values reported in table 8.

VIII. ECOSYSTEM ASSESSMENT

The evidence answers the research questions with one theme: india has largely solved the formation problem and now faces a scaling problem. Formation responds to low entry costs, digital rails, recognition benefits, and cultural legitimacy, all of which improved. Scaling depends on systemic conditions in the framework of stam (2015) (late-stage finance, intermediaries that deliver, specialised talent, and demand from large buyers), and these have improved more slowly. Table 9 summarises the assessment, and fig. 12 Plots it in the manner of an asset pentagon: the ecosystem is strong on framework conditions but thin on finance.



Fig. 12. Ecosystem elements of india's startup ecosystem (author's assessment from table 9; 1 = weak, 2 = moderate, 3 = strong; finance scored 1.5 = Weak–moderate).

Table 9 Ecosystem Scorecard (Evidence-Based Assessment**)**

Element	Status	Key evidence
Formal institutions	Strong	Angel tax gone; G.S.R. 108(E); 63 reforms
Digital infrastructure	Strong	228 bn UPI transactions (2025)
Demand	Moderate	Large market; ONDC demand fragile; GeM growing
Culture	Strong	55,200 recognitions in FY26
Finance	Weak–Mod.	Late-stage pullback; 42% in one city
Intermediaries	Moderate	840 weak vs 207 strong incubators
Talent & knowledge	Moderate	GII human capital 54th; patents rising
Networks & leadership	Moderate	IPO exits create repeat founders and angels

The findings carry three implications for entrepreneurial-ecosystem theory. First, they show that framework conditions and systemic conditions can move at different speeds: in india, institutions and infrastructure improved faster than finance and intermediaries, producing high formation with weak scaling. Ecosystem models that treat the elements as a single index can hide this imbalance. Second, the analysis suggests three propositions for future testing. *P1:* Regions with strong incubators show higher funding conversion than regions with more, but weaker, incubators. *P2:* Procurement demand (gem, defence, space) raises the

Survival of deep-tech startups more than grants of the same size. *P3:* Ipo-driven capital recycling raises local angel activity with a lag of two to three years, as in earlier ecosystems.

Third, these propositions extend the knowledge-spillover view (acs et al., 2009): India's spillovers are increasingly digital and platform-based rather than university-based, which may explain why output indicators outrun input indicators in the gii (world intellectual property organization, 2026). They are also consistent with the resource-based view (barney, 1991): without proprietary technology or distribution, the many new firms built on shared public rails compete on easily copied resources and remain small.

2. Impact of the Startup Ecosystem on Economy and Society

The ecosystem's impact on the economy and society is visible in employment, inclusion, and market structure. Recognised startups report more than 25.42 Lakh direct jobs, about 10 per startup (department for promotion of industry and internal trade, 2026b). More than half of recognised startups are outside metros and 48% have at least one woman director (department for promotion of industry and internal trade, 2026b), and tier-3 cities now form more startups each year than tier-1 cities (dt next, 2026). Startups have also brought digital payments, credit, and e-commerce to small merchants and low-income consumers through upi and related rails (alonso et al., 2023). The benefits are uneven, however: capital remains concentrated in bengaluru and in a few large rounds, women-founded startups receive under a tenth of funding (tracxn, 2025), and official data cannot show how many recognised firms survive.

These findings point to clear priorities. Policymakers should link incubator grants to follow-on funding and survival of supported startups, publish cohort-level outcome data, use public procurement as early demand for deep-tech firms, set disbursal timelines for fof 2.0 And the rdi scheme, and create women-led and tier-3 tranches within public funds. Founders should prove unit economics early, build proprietary technology or data on top of shared public rails, and treat governance as preparation for ipo-led exits. Universities should embed product, finance, and intellectual-property skills in technical curricula and link their incubators with industry mentors and deep-tech investors.

IX. CONCLUSION

Between 2016 and october 2026 india built a broad entrepreneurial base of 2.5 Lakh recognised startups, present in every state and union territory, nearly half of them with at least one woman director, and a majority outside metros. Digital public infrastructure and a decade of regulatory reform made this breadth possible.

Depth has not kept pace: funding per new startup has fallen by about 89% since 2021, capital is concentrated in a few cities and mega-rounds, and most policy benefits reach a small fraction of firms. The next decade will be judged less by how many startups india creates than by how many it can scale into profitable, globally competitive companies. That requires outcome-based incubation, patient capital for deep technology, procurement-led demand, and data that let policymakers see which firms survive and grow.

The study has limitations. It relies on secondary and partly self-reported data, year-wise recognition counts change between releases, private trackers differ in definitions, and the analysis is descriptive rather than causal. Future research should use founder surveys and firm-level administrative data to measure survival and growth by cohort and to test the propositions set out in section 14.

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