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Original Article

Startups in India: Assessing Their Status, Growth Dynamics, Role and Challenges

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Abstract

India has emerged as one of the fastest-growing startup ecosystems globally. India's formal count of DPIIT-recognized startups has grown rapidly since the launch of Startup India in 2016. Startups in India contribute significantly to innovation, job creation, and economic dynamism. Startups reported creating over 1.7 million direct jobs by the end of 2024. Startups have been offering alternative career paths that move beyond traditional employment, foster creativity, and leverage digital and technological skills. Some Indian startups scale globally and contribute to services exports and foreign revenues. Startups introduce new business models, drive productivity through digital platforms. High-valuation unicorns improve national innovation rankings and attract foreign direct investment. However, startups in India have been facing complex regulatory regimes that vary across states and require specialized legal expertise. To sustain and deepen impact, policy must target later-stage capital shortages, broaden regional incubation, and align regulation to support safe, scalable innovation.

Keywords: *Startup, fintech, agritech, employment, ecosystem.*

Introduction

The origins of India's startup boom can be traced back to the liberalization reforms of 1991, which unlocked markets, attracted foreign investments, and enhanced the IT industry. The emergence of companies like Infosys, Wipro, and TCS in the 1990s established India's status as a global hub for IT outsourcing. These firms developed a generation of technologists and business founders. In the early 2000s, the growth of the internet and a rising number of engineering graduates created a foundation for consumer-oriented digital startups. The introduction of Flipkart in 2007 represented a significant milestone, motivating thousands of tech ventures.

In recent years, India has emerged as one of the fastest-growing startup ecosystems globally. With the formal launch of the Startup India programme in 2016 by the Department for Promotion of Industry and Internal Trade (DPIIT), the country witnessed a surge in entrepreneurial initiatives across sectors ranging from technology and fintech to health-tech, agritech, education and deep-tech. As of January 2025, official government data indicates that India has around 159,000 DPIIT-recognised startups, making it the world's third-largest startup ecosystem after the US and China. This growth is striking, especially given that in 2016 the recognised startup count was just a few hundred, a testament to the rapid expansion of entrepreneurial activity nationwide.

Multiple structural factors have powered this growth. First, supportive government policies and institutional frameworks under Startup India provide startups access to benefits, including regulatory ease, IPR fast-tracking, tax exemptions, and eligibility for government procurement. Second, India's large and youthful population, paired with growing internet and smartphone penetration, offers a vast domestic market that startups, particularly in digital services, fintech, e-commerce, and SaaS can serve. Additionally, a growing pool of skilled professionals, rising investor interest (both domestic and international), and the emergence of incubators and accelerators have fostered an enabling environment for early-stage ventures.

Startups in India contribute significantly to innovation, job creation, and economic dynamism. Many are developing disruptive business models from digital payments and fintech services, online education, health-tech and agritech solutions to enterprise SaaS and deep-tech innovations, , transforming traditional sectors and expanding access to services across geographic and socio-economic boundaries. Indeed, for many young Indians.

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startups offer an alternative career path, one that moves beyond traditional employment, fosters creativity, and leverages digital and technological skills.

Despite impressive growth, the ecosystem continues to evolve. Challenges remain in sustaining financing for growth stages, ensuring regulatory clarity across sectors, building infrastructure outside major urban hubs, and scaling many startups into globally competitive companies. As the ecosystem matures, addressing these structural issues will be critical for ensuring inclusive and long-term impact.

This paper tries to make an effort to explore in detail the **status, growth trajectory, and socio-economic role of startups in India,** highlighting key data, trends, challenges, and policy implications.

Research Objectives

To study the current status and growth of startup ecosystem in India

To study the challenges confronted by startups in India

To examine the socio-economic role of startups in India

Methodology and data sources

This is a desk-based empirical review drawing on government releases and reputable industry trackers between2023-2025. Key sources used are: DPIIT / Startup India factbook and press releases for recognised startup counts and job-creation figures; Tracxn and Inc42 for counts of unicorns and funding trends; and industry reports for sectoral analyses and investor activity. The paper cites primary government statistics where possible for founding counts and job figures, and uses industry reports to characterise funding flows and valuations. Where figures could shift quickly the most recent available reports (2024-2025) are used.

Findings

1. Status of recognised startups

India's formal count of DPIIT-recognised startups has grown rapidly since the launch of Startup India in 2016. Official DPIIT/Startup India releases report that the number of recognised startups rose from roughly 500 in 2016 to around **157,706 (as of 31 December 2024/15 January 2025).** The recognitions span 50+ industries with IT and product development among the dominant sectors. DPIIT/Startup India also reports that recognised startups created **over 1.7 million (17+ lakh) direct jobs** by end-2024 and that a sizeable share of startups (over 73,000) includes at least one-woman director, indicating improving gender inclusion in entrepreneurship.

2. Unicorn formation and valuations

India's unicorn club expanded remarkably after 2018. Industry trackers reported 120+ unicorns by mid-2025**,** with some trackers reporting counts in the 122-124 range (May-Nov 2025), reflecting new entrants in fintech, SaaS, consumer internet and logistics segments. The unicorn cohort's combined valuations and capital raised place India among the world's top economies in terms of startup valuations and private market activity. This growth in unicorns indicates successful scale-ups from early-stage ventures to large private companies.

3. Funding trends

Funding has been cyclical. Industry reports show that Indian tech startups raised $4.8 billion in H1 2025 (Tracxn), a decline from H1 2024 but placing India third globally in tech startup funding (behind the US & UK) for that period. Other sources tracking later parts of 2025 reported a rebound: for instance, summaries in late-2025 pointed to strong monthly funding (e.g., about $1.7 billion in November 2025 across multiple deals). Across 2024-2025, investor interest concentrated in AI, fintech, SaaS, and healthcare. Overall, while funding values fluctuate quarter-to-quarter, the medium-term trend is continued investor attention and increased participation by domestic corporate and growth funds.

4. Sectoral concentration and emerging domains

Historically, startups clustered in e-commerce, fintech, and consumer internet; more recently, deep tech (AI/ML, semiconductors, enterprise SaaS), healthtech, agritech and climate tech have gained traction. Several multinational tech investors and strategic funds signalled interest in Indian AI startups in 2025 (e.g., Google + Accel partnership to back Indian AI startups). This demonstrates both a move toward capital for deep tech and strategic foreign investor engagement.

5. Geographic distribution and regional dynamics

Startups remain concentrated in Tier-1 cities (Bengaluru, Delhi NCR, Mumbai, Hyderabad, Chennai), but DPIIT and incubation networks have sought to broaden outreach through state incubators and university programmes. Government grants, incubators at IITs, and regional innovation hubs such as the recent IIT-BHU grants aim to bridge geographic divides and seed startups in smaller cities and research institutions. Nonetheless, ecosystem density and later-stage investor presence remain uneven across states.

Table 1: Key indicators of the Indian startup ecosystem

The table shows the Key statistics of Indian startups for the year 2024-25

Indicator	Figure	Source (year)
DPIIT-recognised startups (cumulative)	**157,706** (Dec 31, 2024)	DPIIT/Startup India factbook (2025). Startup India
Direct jobs reported (startups)	**1,728,000** (Dec 31, 2024)	DPIIT press release (2025). Press Information Bureau
Number of unicorns (India)	**122–124** (late 2025)	Inc42 / Tracxn trackers (2025). Inc42 Media+1
Tech startup funding (H1)	**$4.8 billion** (H1 2025)	Tracxn report (2025). w.tracxn.com
Notable sectoral growth	AI / fintech / SaaS /	Industry trackers & news (2024-

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	healthtech (2024-2025)	2025). asset.inc42.com+1

Major Startups in India

Flipkart

Flipkart, founded in 2007 by Sachin Bansal and Binny Bansal, is one of India's pioneering e-commerce companies. Starting as an online bookstore, it quickly expanded into electronics, fashion, home products, and groceries, becoming a leading online retail platform. Flipkart played a crucial role in shaping India's digital commerce. Over the years, Flipkart built an extensive supply chain network through Ekart, enabling efficient delivery. Today, Flipkart remain a major player in India's e-commerce landscape, influencing digital retail growth, creating extensive employment opportunities, and contributing significantly to the country's startup ecosystem.

Ola

Ola, founded in 2010 by Bhavish Aggarwal and Ankit Bhati, is among the most significant mobility startups in India. Originally started as a car rental service, Ola quickly transitioned to an app-based ride-hailing model, enhancing the accessibility and organisation of urban transport.

Paytm

Paytm, founded in 2010 by Vijay Shekhar Sharma, initially focused on mobile recharges and bill payments, but has since evolved into one of the largest fintech firms in India. The rise of affordable smartphones and mobile internet facilitated Paytm's rapid growth into digital payments, wallets, e-commerce, ticketing, and various financial services. A significant turning point occurred in 2016 during demonetization, which led to a dramatic increase in digital transactions across the country. Paytm Wallet became popular for everyday purchases, catering to everyone from street vendors to major retailers, thereby establishing its presence in many households.

Zomato and Swiggy

Zomato, founded in 2008 by Deepinder Goyal and Pankaj Chaddah, began as a restaurant discovery platform and grew into one of India's largest food delivery services. It expanded globally, introduced contactless dining, and acquired UberEats India. Swiggy, launched in 2014 by Sriharsha Majety, Nandan Reddy, and Rahul Jaimini, focused on efficient hyperlocal delivery. Known for fast service, it expanded into grocery delivery (Instamart) and other on-demand services.

Together, Zomato and Swiggy transformed India's food delivery ecosystem through technology-driven logistics, extensive restaurant partnerships, and customer-focused innovation.

BYJU'S

BYJU'S, founded in 2011 by Byju Raveendran, is one of India's leading edtech companies. It started as an offline coaching initiative and launched its learning app in 2015, offering interactive video lessons for school students and competitive exams. The platform gained popularity for its engaging, concept-based learning approach. BYJU'S expanded rapidly through major acquisitions such as Aakash, Toppr, and WhiteHat Jr, strengthening its presence in the education sector.

OYO Rooms

OYO, founded in 2013 by Ritesh Agarwal, is one of India's largest hospitality startups. It began as a budget hotel aggregator, standardising rooms and offering affordable stays through its technology-driven platform. OYO rapidly expanded across India and later entered international markets such as China, Europe, and Southeast Asia. Its model focused on improving hotel quality, ensuring consistent service, and providing easy online booking.

Drivers of growth

1. Policy and institutional support

The Startup India initiative (DPIIT recognition, ease-of-doing-business measures, tax incentives for startups, simplified compliance) provided a foundational policy platform. The recognition scheme has both symbolic and practical effects, enabling access to government procurement set-asides, easier compliance, and visibility to investors and incubators (Startup India, 2016-2025). State-level policies and incubator grants (e.g., university incubation funding) augment national initiatives.

2. Digital infrastructure and demand

Massive adoption of smartphones, low data costs, rapid digitisation of financial services (UPI, digital payments), and broadening internet penetration created large addressable markets for digital startups, particularly in fintech, consumer services and edtech. These demand-side effects accelerate product-market fit and scaling. (Multiple industry reports 2023-2025).

3. Capital ecosystem and investor diversity

In addition to global VCs, an increasing number of domestic growth funds, corporate venture arms, and family offices actively deploy capital. Post-2021 corrections in valuations led to more selective capital allocation, but later in 2024 and 2025, activity shows renewed allocations in AI and deep tech. Government-backed funds and incentives for R&D also play roles.

4. Talent availability and diaspora networks

India's large STEM graduate base and returning diaspora founders bring technical talent and global market knowledge. This human capital supports deep tech startups and scaleups, particularly in AI, enterprise SaaS and research-intensive sectors.

The socio-economic role of Startups in India

1. Employment generation and skilling

Startups reported creating over 1.7 million direct jobs by end-2024 (DPIIT data). They also catalyse niche skill development (data engineering, ML, product management) and foster gig and hybrid employment models, expanding opportunities for youth and returning professionals.

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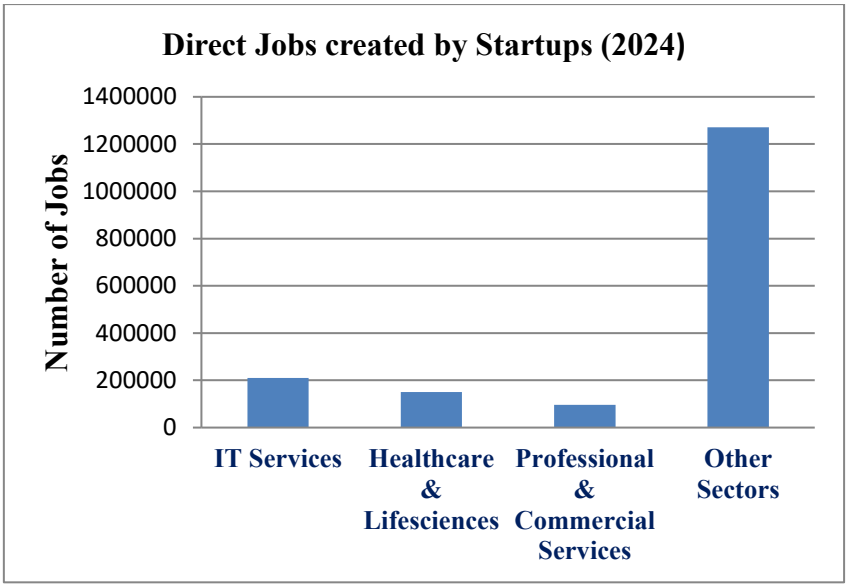

2. Innovation and productivity gains

Startups introduce new business models, drive productivity through digital platforms (e.g., logistics optimisation, fintech lending algorithms), and accelerate the adoption of AI/automation across traditional sectors such as agriculture and manufacturing. This diffusion contributes to competitiveness and sectoral modernisation.

3. Inclusion and last-mile services

Startups often address inclusion gaps: fintech firms increase access to credit and payments; healthtech startups expand telemedicine; agritech connects farmers to markets. By deploying localised, low-cost digital solutions, startups can advance inclusion and improve service delivery in underserved regions. 4. Exports, global integration and valuation creation

Some Indian startups scale globally (SaaS exporters, fintech for migrant remittances, edtech) and contribute to services exports and foreign revenues. High-valuation unicorns improve national innovation rankings and attract foreign direct investment via acquisitions, partnerships and corporate R&D setups.

Constraints and Challenges of the Startup Ecosystem

1. Funding gaps at later stages

While seed and early-stage capital remains active, there is a persistent shortage of large pools for late-stage rounds (growth and pre-IPO) compared with the US/China, sometimes forcing profitable Indian scaleups to list or seek capital outside India. This can slow domestic value capture and long-term employment growth. *India tech semi-annual funding report 2025* indicated lower absolute funding compared with peak periods, and mixed recovery across quarters.

2. Regulatory and compliance uncertainty

Startups in fintech, healthtech, and edtech face complex regulatory regimes that vary across states and require specialised legal expertise. Regulatory uncertainty over data localisation, fintech guidelines and platform regulation can inhibit scaling and deter investors. Continued regulatory clarity and proportionate rules for startups are needed. (Policy analyses 2023-2025).

3. Regional imbalance and infrastructure gaps

Concentration in a handful of cities limits inclusive regional development. While incubators and state programmes are multiplying, access to accelerators, corporate partnerships and talent pipelines is still concentrated in Tier-1 locations. Targeted regional funds and stronger university-industry linkages could help.

4. Exit pathways and public markets readiness

Robust exit ecosystems (IPOs, mergers & acquisitions) are essential for investor returns. Although Indian public markets have hosted some high-profile tech listings, volatility and governance concerns sometimes complicate IPO pathways for startups. Strengthening public market readiness and encouraging long-term capital markets for tech firms would close the lifecycle loop (Market commentary 2024-2025).

Policy implications and recommendations

1. Strengthen later-stage capital availability

The government should create blended finance vehicles that combine public capital with private institutional investors to support growth rounds. Encouragement should be provided for domestic pension funds and sovereign vehicles to allocate a modest portion to growth technology funds under regulated frameworks.

2. Regional diversification through targeted incubation

State incubators should be expanded, university spin-outs should be encouraged, and regional accelerator networks should be established. Incentives ought to be offered to corporations and venture capitalists for creating satellite offices in Tier-2 and Tier-3 cities. Additionally, funding through matching grants should be linked to local employment and research and development initiatives.

3. Regulatory clarity and proportionate compliance

Implementation be initiated for sector-specific "regulatory sandboxes" (similar to those utilized in fintech) for emerging fields such as AI technology, health technology, and climate technology. Streamline compliance processes for growing startups while ensuring consumer safety.

4. Skills and research pipelines

Financial resources should be allocated for doctoral and industry-focused research in artificial intelligence, semiconductor engineering, and life sciences, along with industry fellowships. Support should be provided for mid-career retraining to address urgent talent shortages in engineering, data science, and product positions.

5. Facilitate exit pathways and market readiness

Funding should be allocated for pre-IPO advisory services, support SME and technology-oriented IPO pathways, and facilitate corporate-startup mergers and acquisitions by expediting competition law review timelines for small deal thresholds.

These recommendations aim to maintain momentum while addressing structural gaps in capital, talent, and geography.

Limitations of this study

This paper is a synthesis relying on government releases and industry trackers current to late 2024–2025. Startups and funding rounds are dynamic; counts (e.g., unicorns, funding totals) can change monthly. The review approach does not include primary survey data from startups and thus cannot capture firm-level heterogeneity beyond high-level statistics.

Conclusion

India's startup ecosystem has matured rapidly since 2016, with DPIIT recognitions exceeding 157,000 by end-2024, unicorn formation rising into the triple digits by mid-2025, and funding, though cyclical, continuing to flow into high-potential sectors such as AI, fintech, and SaaS. Startups contribute meaningfully to job creation, innovation diffusion and inclusion. To sustain and deepen impact, policy must target later-stage capital shortages, broaden regional incubation, and align regulation to support safe, scalable innovation. If blended finance, improved exits, and wider talent pipelines are mobilised, India's startups can remain an engine for both economic growth and social impact.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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Note: references below are built from government releases and industry reports cited in the paper. For convenience, links to the cited sources are the web.run sources used while compiling this paper.

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