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THE CURRENT STARTUP ECOSYSTEM IN INDIA: GROWTH, FUNDING, INNOVATION, INCLUSIVITY AND THE PATH TOWARDS A SUSTAINABLE ENTREPRENEURIAL ECONOMY

Tharamani S

Associate Professor, Department of Commerce, Government First Grade College, Thyamagondlu, Nelamangala Taluk, Bangalore Rural

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ABSTRACT

India has developed one of the world's most consequential startup ecosystems during the decade following the launch of Startup India in January 2016. The ecosystem has expanded in scale, geography, sectoral diversity and institutional depth, while the funding environment has simultaneously become more selective and fundamentals-oriented. This research article examines the current Indian startup ecosystem using a structured secondary-data review of government publications, the Economic Survey, Startup India reports, industry analyses and contemporary institutional evidence. The analysis finds that the ecosystem has moved from a predominantly metropolitan, consumer-internet-oriented model toward a broader system encompassing artificial intelligence, fintech, enterprise technology, deep technology, biotechnology, climate technology, space technology and advanced manufacturing. By 31 March 2026, more than 2.23 lakh startups had received DPIIT recognition, and these recognised entities had reported more than 23.36 lakh direct jobs. More than 1.07 lakh recognised startups had at least one-woman director or partner, while approximately half of recognised startups originated from Tier-II and Tier-III cities. Funding, however, has entered a more disciplined phase: Indian technology startups raised approximately US\$11.7 billion in FY2025–26, down from US\$14.3 billion in FY2024–25, even as early-stage funding increased and technology IPO activity strengthened. The study argues that this pattern represents a structural transition from startup quantity and valuation expansion toward capital efficiency, technological differentiation, profitability, institutionalisation and global competitiveness. The article proposes a conceptual framework linking government policy, finance, talent, incubation, technology, market access, and innovation capability with startup performance and sustainable economic development. Policy recommendations emphasise startup survival, deep-tech capital, regional innovation clusters, university-industry linkages, women's access to growth capital, public procurement and internationalisation.

KEYWORDS: Startup ecosystem; Startup India; entrepreneurship; innovation; venture capital; deep

technology; artificial intelligence; women entrepreneurship; incubators; sustainable growth.

1. INTRODUCTION

Entrepreneurship has become a central mechanism through which economies generate employment, commercialise knowledge, diffuse technology and respond to changing consumer and societal needs. Startups are particularly significant because they combine entrepreneurial risk-taking with innovation, digital technologies and scalable business models. In India, the startup phenomenon has acquired strategic importance because it intersects with several national priorities: employment creation, digital transformation, manufacturing, technological self-reliance, financial inclusion, sustainability and the development of a globally competitive knowledge economy.

The institutional turning point was the launch of the Startup India initiative on 16 January 2016. The initiative introduced a broad policy architecture involving startup recognition, easier compliance, intellectual-property support, tax-related incentives, funding mechanisms, incubation, mentorship and market access. Over the following decade, entrepreneurship moved from a relatively concentrated activity in Bengaluru, Delhi-NCR, Mumbai, Hyderabad, Chennai and Pune toward a more geographically distributed ecosystem. The Economic Survey 2025–26 notes that DPIIT-recognised startups increased from approximately 500 at the beginning of the initiative to more than two lakh by 2025, while innovation activity broadened into biotechnology, artificial intelligence, digital services and sustainability-oriented solutions.

The current scale is substantial. Government data indicate that more than 55,200 startups were recognised during FY2025–26, the highest annual number since the launch of Startup India. By 31 March 2026, the cumulative number of DPIIT-recognised startups had exceeded 2.23 lakh, and recognised startups had reported more than 23.36 lakh direct jobs. The same official release indicates that more than 1.07 lakh recognised startups had at least one-woman director or partner, representing approximately 48% of recognised startups. These figures indicate not only rapid enterprise formation but also increasing inclusion in the formal startup-support architecture.

At the same time, startup funding has entered a new phase. Tracxn's FY2025–26 data indicate that Indian technology startups raised US\$11.7 billion across 1,632 rounds, an 18% decline from the previous fiscal year. However, early-stage funding increased to US\$4.8 billion, while late-stage funding fell sharply. Technology IPO activity also strengthened, with 47 technology IPOs reported in FY2025–26. This combination of lower aggregate funding, fewer transactions, and stronger public-market activity suggests that investors are becoming more selective and are placing greater weight on business fundamentals, scalability, defensibility, and credible exit pathways.

The present study therefore treats the Indian startup ecosystem not merely as a count of newly recognised firms but as an interconnected system of entrepreneurs, capital providers, governments, universities, incubators, markets, technologies and support institutions. The purpose is to provide a current, research-oriented assessment of the ecosystem and to identify the institutional and policy conditions required for its next stage of development.

1.1 Research Problem

A major limitation in discussions of India's startup ecosystem is the tendency to equate ecosystem development with the number of startups, unicorns, or funding rounds. Such indicators are useful but incomplete. A startup ecosystem can expand numerically while remaining vulnerable to high failure rates, funding concentration, talent shortages, weak research commercialisation and regional inequality. Conversely, a decline in funding volume may reflect a healthy transition toward disciplined investment rather than an ecosystem crisis. The central research problem is therefore to understand the quality, inclusiveness and sustainability of India's startup ecosystem in its current phase.

1.2 Research Objectives

- To examine the evolution and present structure of India's startup ecosystem.
- To analyse the current scale of recognised startups, employment and geographical participation.
- To examine government policy instruments supporting startup formation, financing and scaling.
- To assess contemporary startup funding patterns and their implications for ecosystem maturity.
- To identify major emerging sectors including AI, fintech, deep technology, biotechnology, climate technology and space technology.
- To examine inclusion through women's participation and the emergence of Tier-II and Tier-III ecosystems.
- To identify major constraints affecting startup survival, scaling and global competitiveness.
- To propose a conceptual framework and policy agenda for sustainable startup ecosystem development.

1.3 Research Questions

- What are the major characteristics of India's current startup ecosystem?
- How has the ecosystem changed since the launch of Startup India?
- How are funding patterns changing in the current investment environment?
- To what extent is startup activity becoming geographically and socially inclusive?
- Which technology and sectoral domains are likely to shape the next phase of startup growth?
- What policy and institutional interventions are required to move from startup creation to sustainable scale?

2. REVIEW OF LITERATURE

The startup ecosystem perspective extends entrepreneurship research beyond the individual entrepreneur or firm. Isenberg (2010) conceptualised entrepreneurship ecosystems as combinations of policy, finance, culture, support, human capital and markets. Stam (2015) subsequently emphasised the systemic nature of entrepreneurial ecosystems and the importance of productive entrepreneurship. Spigel (2017) argued that entrepreneurial ecosystems are shaped by social, cultural and material attributes that reinforce entrepreneurial activity. These perspectives are particularly relevant to India because the country's startup development increasingly depends on interactions between government policy, private capital, digital infrastructure, research institutions and entrepreneurial communities. Audretsch and Belitski (2017) demonstrated that entrepreneurial ecosystems are strongly influenced by institutional and spatial factors. This is relevant to India's movement beyond traditional metropolitan hubs. The emergence of startup activity in smaller cities suggests that policy interventions, digital connectivity, and local institutions can reduce some geographical barriers, although differences in capital availability, specialised talent, and research infrastructure remain.

Government policy is another major theme in the literature. Startup India represents a policy attempt to create a lifecycle support system rather than a single subsidy programme. Its architecture combines recognition, financing, intellectual-property support, incubation, mentoring and procurement. The State Startup Ranking Framework has further extended this approach by encouraging states and union territories to formulate policies, benchmark performance and develop local support systems.

Finance remains one of the strongest determinants of startup survival and scale. Venture capital provides risk-bearing capital but can also create pressure for rapid growth. The Indian experience after the 2020–2022 funding boom illustrates the importance of capital efficiency and sustainable unit economics. Current funding patterns suggest a shift toward fewer and more selective investments, with relatively strong early-stage funding and increased exit activity.

Innovation literature also highlights the importance of knowledge, R&D and intellectual property. Deep-tech firms typically require longer development cycles, specialised talent and patient capital. India's growing focus on AI, biotechnology, semiconductors, space, defence and climate technologies therefore requires an ecosystem that goes beyond conventional digital-startup support.

Gender and inclusion are increasingly important areas of startup research. Women's participation in entrepreneurship is influenced by access to finance, networks, education, mentorship, social norms and institutional support. Official Indian data showing more than one lakh recognised startups with at least one woman director or partner indicate substantial participation, but this measure should not be interpreted as equivalent to women-controlled enterprises. Future research should distinguish

representation from ownership, leadership and access to growth capital.

The literature collectively suggests that startup ecosystem performance is multidimensional. Entrepreneurial activity depends on the interaction of institutions, finance, human capital, technology, market access, culture and infrastructure. The present study builds on this ecosystem perspective and applies it to the contemporary Indian context.

2.1 Research Gap

Four gaps are particularly important. First, many discussions focus on startup counts and unicorns rather than ecosystem quality and sustainability. Second, funding reports often describe investment totals without sufficiently connecting capital allocation to regional inclusion, technology intensity, and public policy. Third, the increasing role of Tier-II and Tier-III cities requires deeper analysis because geographical expansion does not automatically imply equivalent access to capital and talent. Fourth, the emergence of AI and deep technology creates a need to rethink conventional startup-support models because research-intensive firms face longer commercialisation cycles and different financing requirements. This article addresses these gaps through an integrated secondary-data analysis.

3. METHODOLOGY

The study adopts a descriptive and analytical secondary-research design. It synthesises official government statistics and policy documents with contemporary industry reports and established academic literature. The principal institutional sources are the Department for Promotion of Industry and Internal Trade (DPIIT), Startup India, the Government of India's Economic Survey, the Press Information Bureau, and recognised industry research organisations. Contemporary funding evidence is drawn primarily from Tracxn's India Tech Annual Funding Report 2026, with cross-checking against business and institutional reporting.

The period of analysis is 2016–2026, with particular emphasis on FY2025–26 and data available during 2026. The unit of analysis is the Indian startup ecosystem rather than individual firms. Ecosystem performance is examined across eight dimensions: entrepreneurial activity, employment, finance, innovation, geography, inclusion, institutional support and market development.

DPIIT-recognised startups are used as the principal official indicator of startup scale. This measure has an important methodological limitation: it represents enterprises that meet the recognition framework and does not constitute a census of every enterprise that may be described informally as a startup. Similarly, industry funding datasets may use different definitions of technology startups and funding stages. The analysis therefore avoids treating figures from different datasets as directly

interchangeable.

The analytical procedure consisted of four stages: (1) identification of major ecosystem indicators; (2) extraction and comparison of recent trends; (3) thematic interpretation of policy, funding, innovation and inclusion developments; and (4) synthesis into a conceptual ecosystem framework and policy recommendations. The study does not claim primary causal inference. Its contribution is analytical synthesis and theory-informed interpretation of the current ecosystem.

4. RESULTS AND ANALYSIS

4.1 Expansion in Startup Recognition and Employment

The strongest evidence of ecosystem expansion is the growth in DPIIT-recognised startups. Government data show that more than 55,200 startups were recognised in FY2025–26, compared with more than 36,400 in FY2024–25. This represents year-on-year growth of approximately 51.6%. Direct jobs attributed to recognised startups also increased from more than 3.66 lakh in FY2024–25 to more than 4.99 lakh in FY2025–26, an increase of approximately 36.1%. Cumulatively, recognised startups exceeded 2.23 lakh by 31 March 2026 and reported more than 23.36 lakh direct jobs.

Indicator	FY 2024–25	FY 2025–26	Interpretation
Startups recognised	36,400+	55,200+	Strong acceleration in formal recognition
Direct jobs created during the year	3,66,870+	4,99,400+	Employment growth remained robust
Cumulative recognised startups	—	2.23 lakh+	Large institutionalised ecosystem
Women director/partner startups	—	1.07 lakh+	Broad participation, though not identical to women-owned firms

The employment data are important because they shift the discussion from entrepreneurial entry to economic contribution. Nevertheless, the reported job measure is direct employment associated with recognised startups and should not be interpreted as total employment generated through indirect suppliers, gig workers or induced economic activity.

4.2 Geographical Democratisation

The geography of entrepreneurship has changed substantially. Government sources indicate that approximately half of recognised startups originate from Tier-II and Tier-III cities. This represents an important departure from the earlier metropolitan concentration of venture-backed entrepreneurship.

Digital public infrastructure, remote work, online markets, lower operating costs and state-level startup policies have reduced some barriers to geographic participation.

However, geographic expansion should not be confused with equal ecosystem maturity. Bengaluru, Mumbai, Delhi-NCR, Hyderabad and other major hubs continue to possess deeper venture networks, experienced founders, specialised talent and corporate connections. Smaller cities may have strong entrepreneurial potential but weaker access to later-stage capital, advanced laboratories and global networks. The policy implication is that the next phase requires place-sensitive ecosystem building rather than a uniform national template.

4.3 State-Level Ecosystem Development

The Startup India State Ranking Framework institutionalises competitive and cooperative federalism in ecosystem development. The fifth edition evaluates states and union territories through reform areas including institutional support, fostering innovation and entrepreneurship, market access, incubation and mentorship, funding, capacity building and sustainable development. It also incorporates private ecosystem mapping and gives greater attention to incubation infrastructure and priority sectors.

The 5.0 results identify Gujarat, Arunachal Pradesh and Goa as Best Performers in their respective categories, while Karnataka, Punjab, Tamil Nadu, Uttar Pradesh and Himachal Pradesh are among the Top Performers. The diversity of leading jurisdictions illustrates that startup policy is increasingly embedded in state economic strategy rather than remaining exclusively a central-government concern.

Ecosystem function	Key policy mechanism	Expected startup outcome
Institutional support	Startup policies, nodal agencies	Lower entry and compliance barriers
Funding	FFS, Seed Fund, credit guarantees	Improved access to risk and growth capital
Incubation	Incubators, accelerators, mentorship	Faster validation and capability building
Market access	Public procurement, corporate partnerships	Customer acquisition and scale
Innovation	IP support, research linkages	Technology differentiation
Capacity building	Founder and ecosystem-enabler programmes	Improved managerial capability
Sustainability	Climate and responsible innovation initiatives	Long-term resilience

4.4 Government Financing Architecture

The government's financing architecture has become increasingly differentiated by startup stage. The Fund of Funds for Startups (FFS) works through Alternative Investment Funds and is designed to catalyse private capital rather than replace it. By FY2025–26, government reporting indicated that more than ₹7,000 crore had been disbursed to AIFs and more than ₹26,900 crore had been invested in over 1,420 startups through FFS-backed funds.

The Startup India Seed Fund Scheme addresses a different market failure: early-stage capital for proof of concept, prototype development, product trials and market entry. By FY2025–26, 219 incubators had been selected and more than ₹605 crore had been approved for over 3,400 startups. The Credit Guarantee Scheme for Startups provides another layer by reducing lender risk and expanding debt access.

These mechanisms illustrate a shift from a single instrument toward a portfolio approach. Equity capital is appropriate for high-growth ventures with uncertain cash flows, seed grants or convertible support can help validate early ideas, and credit guarantees can support businesses with more predictable revenue. The effectiveness of the ecosystem will increasingly depend on how well these instruments connect rather than operate in isolation.

4.5 Funding Market and Investor Selectivity

The funding market in FY2025–26 provides evidence of consolidation. Tracxn reports that Indian technology startups raised US\$11.7 billion across 1,632 funding rounds, down 18% from US\$14.3 billion in FY2024–25 but up 20% from the US\$9.7 billion recorded in FY2023–24. India remained the fourth-highest funded country globally in the cited comparison.

Funding indicator	FY2024–25	FY2025–26	Change
Total tech-startup funding	US\$14.3 bn	US\$11.7 bn	-18%
Early-stage funding	US\$3.6 bn	US\$4.8 bn	+33%
Late-stage funding	US\$9.2 bn	US\$5.6 bn	-38%
Technology IPOs	31	47	+52%
New unicorns	4	6	+50%

The divergence between total funding and early-stage funding is analytically important. It suggests that investors have not abandoned entrepreneurial risk but are reallocating capital. Late-stage companies face higher scrutiny over profitability, governance and valuation, whereas differentiated early-stage opportunities continue to attract capital. The increase in IPOs further indicates a maturation

of exit markets.

Sectoral concentration is also visible. Enterprise applications attracted approximately US\$3.6 billion, fintech US\$2.4 billion and retail US\$2.4 billion in FY2025–26. The leading large rounds increasingly involve infrastructure and technology platforms, suggesting that India's next growth cycle may contain more enterprise and infrastructure-oriented businesses than the consumer-internet cycle of the previous decade.

4.6 Artificial Intelligence and Deep Technology

AI is becoming a horizontal capability rather than a single startup category. Indian startups are applying AI to finance, healthcare, education, cybersecurity, enterprise software, manufacturing, logistics and public services. The Economic Survey 2025–26 identifies AI, biotechnology, digital services and sustainability-oriented solutions as areas in which innovation activity is becoming increasingly broad-based.

Deep technology presents a different challenge. Hardware, biotechnology, semiconductors, space systems, defence technologies and advanced materials require research, specialised equipment, certification and long development cycles. The government revised the startup recognition framework in February 2026, extending the eligibility age for deep-tech startups to 20 years and raising their turnover limit to ₹300 crore. This policy change recognises that research-intensive ventures cannot always be evaluated using the same time horizon as software startups.

The Indian space ecosystem is an example of this emerging pattern. A 2026 government response indicated that around 440 space-technology startups were registered on the DPIIT Startup India portal, while IN-SPACe had granted authorisations to non-government entities for space activities. Such developments suggest that regulatory opening, government procurement and technological capability can combine to create new startup sectors.

4.7 Women and Inclusive Entrepreneurship

Women's participation is one of the strongest indicators of the ecosystem's widening social base. More than 1.07 lakh recognised startups had at least one-woman director or partner as of 31 March 2026. This is a significant level of formal representation. However, it is methodologically important to distinguish between participation and control. A woman director or partner does not necessarily indicate that a woman founded the enterprise, owns the majority of equity, controls strategic decisions or received venture funding.

Future policy evaluation should therefore track women founders, women-controlled enterprises,

funding received by women-led ventures, survival rates, and exit outcomes. NASSCOM's recent work on women in India's product ecosystem also points to increasing participation of women in STEM and technology, while highlighting the need to address leadership and progression gaps.

4.8 Incubation, Universities and Knowledge Commercialisation

Incubators and universities are increasingly central to India's startup infrastructure. Incubation reduces the distance between an idea and a commercially testable product by providing mentoring, laboratories, networking and investor access. Universities contribute research talent and intellectual property, but the commercialisation of academic research remains an area with considerable room for improvement.

The next phase of ecosystem policy should therefore strengthen technology-transfer offices, university venture funds, translational research programmes and industry-linked laboratories. Such mechanisms are particularly important for deep-tech ventures that require scientific validation before conventional venture capital becomes available.

4.9 Public Procurement as a Scaling Mechanism

Government procurement can provide startups with an early reference customer and a pathway to scale. Startup-friendly procurement policies are particularly important for deep-tech and industrial startups because their products often require institutional buyers rather than consumer adoption. Government reporting indicates that startup orders through the Government e-Marketplace have reached substantial values. The policy challenge is to ensure that procurement rules remain accessible to smaller firms while maintaining quality, cybersecurity, and accountability.

5. DISCUSSION

The findings support the argument that India's startup ecosystem is entering a second-generation phase. The first generation was characterised by entrepreneurial mobilisation, digital adoption, venture-capital expansion and the emergence of consumer technology champions. The second generation is likely to be defined by sustainability, technology depth, institutionalisation and global competitiveness.

From an ecosystem perspective, the most important change is not the absolute number of startups but the density of connections among ecosystem actors. Government programmes provide legitimacy and reduce market failures; investors provide risk capital; incubators reduce early-stage uncertainty; universities provide knowledge; corporations provide customers and distribution; and public procurement can provide initial scale. A mature ecosystem emerges when these components reinforce each other.

The funding evidence reinforces this interpretation. A reduction in total capital does not necessarily indicate deterioration. The combination of lower deal counts, stronger early-stage funding and more IPOs is consistent with a filtering process in which capital becomes more concentrated in firms with stronger potential. However, this filtering can create risks for socially valuable but capital-intensive ventures. Deep-tech, climate-tech, and regional startups may require patient capital that conventional venture funds cannot always provide.

Geographical democratisation is another important development. If approximately half of recognised startups originate from Tier-II and Tier-III cities, the entrepreneurial base is clearly broadening. The policy challenge is now to convert entrepreneurial participation into sustainable regional innovation capacity. This requires local investors, specialised incubators, university partnerships, digital infrastructure and market linkages.

The ecosystem also needs better measures of success. Startup recognition is an input indicator; employment, revenue, survival, productivity, exports and intellectual property are outcome indicators. Future government dashboards should combine these dimensions to provide a more balanced picture of ecosystem performance.

6. CONCEPTUAL FRAMEWORK

Based on the literature and secondary evidence, the following conceptual model is proposed for future empirical testing:

**Government Policy + Finance + Talent + Incubation + Digital Infrastructure + Market Access
+ Research/IP → Entrepreneurial Capability → Innovation Capability → Startup
Performance → Sustainable Economic Development**

Construct	Indicative dimensions	Expected relationship
Government policy	Recognition, regulation, incentives, procurement	Positive effect on ecosystem capability
Access to finance	Seed, VC, debt, guarantees, patient capital	Positive effect on startup growth
Talent	Technical, managerial, entrepreneurial skills	Positive effect on innovation and scaling
Incubation	Mentorship, infrastructure, networks	Positive effect on capability development
Digital infrastructure	Payments, identity, cloud, connectivity, data	Positive effect on market reach and productivity

Market access	Government, corporate, domestic and global markets	Positive effect on revenue and scale
Research/IP	Patents, R&D, university linkages	Positive effect on technological differentiation
Innovation capability	Product, process, business-model innovation	Mediating mechanism
Startup performance	Growth, profitability, jobs, exports, survival	Primary outcome
Sustainable development	Quality employment, productivity, inclusive growth	Long-term outcome

The framework proposes that ecosystem inputs do not necessarily translate directly into economic outcomes. Entrepreneurial and innovation capabilities are expected to mediate these relationships. This proposition can be examined empirically through structural equation modelling using startup-founder survey data.

7. POLICY IMPLICATIONS

7.1 Move from startup creation to startup survival

Policy dashboards should report three- and five-year survival rates, revenue growth, employment quality, intellectual-property creation and export performance in addition to recognition counts. Such measures would distinguish entrepreneurial entry from sustainable entrepreneurship.

7.2 Develop patient capital for deep technology

India should expand long-duration capital instruments for deep-tech ventures, including blended finance, milestone-based grants, research-commercialisation funds and government-backed patient capital. Deep-tech ventures should not be evaluated exclusively through software-style growth metrics.

7.3 Strengthen regional innovation ecosystems

Tier-II and Tier-III cities require ecosystem-specific strategies. State governments should identify priority sectors based on local capabilities and build clusters around universities, industrial firms, incubators, and local investors.

7.4 Improve women's access to growth capital

The ecosystem should move beyond counting women directors toward measuring founder status, ownership, funding, leadership and exits. Dedicated investor networks and growth-stage financing

mechanisms could address the capital gap faced by women-led firms.

7.5 Strengthen university–industry–startup linkages

Technology-transfer offices, translational research funds and industry-linked laboratories can improve the commercialisation of scientific research. Universities should be evaluated partly on entrepreneurial and technology-transfer outcomes.

7.6 Expand global market access

Indian startups should receive structured support for international certifications, overseas regulatory compliance, IP protection, export finance and foreign market entry. SaaS, AI, fintech infrastructure and deep-tech products have particularly strong potential for globalisation.

7.7 Encourage responsible AI and cybersecurity

AI adoption should be accompanied by responsible data practices, security controls, transparency, explainability and risk management. This is essential for maintaining trust in AI-enabled financial, healthcare and public-service applications.

8. LIMITATIONS AND FUTURE RESEARCH

The study has several limitations. First, it is based on secondary data and therefore does not establish causal relationships among ecosystem variables. Second, official startup-recognition data does not capture all firms that meet broader market definitions of startups. Third, funding datasets differ in methodology, stage definitions, and coverage. Fourth, the analysis does not directly measure startup survival, founder-level experience, or firm-level profitability. Fifth, the study focuses on national-level patterns and cannot provide detailed causal comparisons across individual states.

Future studies should collect primary data from founders, incubator managers, investors, and policymakers. A survey-based study with 400–600 startup founders across Tier-I, Tier-II and Tier-III cities could operationalise constructs such as policy support, financial accessibility, incubation quality, talent availability, digital infrastructure, innovation capability and startup performance. Confirmatory factor analysis and structural equation modelling could then test the proposed relationships. Multi-group SEM could examine whether ecosystem relationships differ by city tier, industry and founder gender.

Longitudinal research would also be valuable. Tracking startups from recognition through seed funding, scaling, profitability and exit would provide stronger evidence about which ecosystem interventions actually improve survival and performance.

9. CONCLUSION

India's startup ecosystem has developed into a large and increasingly sophisticated institutional system. The scale achieved since 2016 is substantial: more than 2.23 lakh startups had received DPIIT recognition by March 2026, recognised startups had reported more than 23.36 lakh direct jobs, and more than 1.07 lakh recognised startups had at least one-woman director or partner. Startup activity is also geographically broader, with approximately half of recognised startups emerging from Tier-II and Tier-III cities.

The funding environment indicates a transition from the exuberant growth model of the early 2020s toward more selective and fundamentals-oriented investment. Although technology-startup funding declined to US\$11.7 billion in FY2025–26, early-stage funding increased and technology IPO activity strengthened. These patterns are consistent with a maturing ecosystem in which investors increasingly differentiate between scalable, defensible businesses and firms whose growth depends primarily on external capital.

The next stage of India's startup development should therefore be judged by quality rather than quantity alone. Survival, productivity, profitability, intellectual-property generation, high-quality employment, exports, deep-tech commercialisation and social inclusion are likely to be more meaningful indicators of ecosystem maturity than startup counts or unicorn valuations.

The central policy challenge is to create an ecosystem in which entrepreneurial activity can be converted into durable economic value. This requires coordination among government, investors, universities, incubators, corporations and entrepreneurs. If India can strengthen these connections while expanding patient capital, regional innovation capacity, women's access to finance and global market opportunities, the startup ecosystem can become an important pillar of India's transition toward a technology-intensive and innovation-led economy.

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Note on current statistics: The manuscript uses official figures available in 2026 and distinguishes DPIIT-recognition statistics from industry funding datasets. Figures should be updated to the latest available release immediately before journal submission.