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The Indian Start-up Ecosystem: Growth, Institutional Support, Challenges and Sustainable Development: A Conceptual Review Article

Dr. Pushpa Hongal

Assistant Professor, Kousali Institute of Management Studies, Karnatak University, Dharwad – 580003

pushpaphd2022@gmail.com

Abstract: *India's start-up ecosystem has expanded through digital transformation, entrepreneurial finance, public policy and growing innovation capabilities. This article reviews its development, key institutions, opportunities and structural challenges through entrepreneurial ecosystem theory, institutional theory and the resource-based view. Government data indicate substantial growth in recognised ventures, although registrations alone do not demonstrate survival, profitability or innovation quality. The review identifies six interdependent enablers—policy, finance, talent, innovation infrastructure, markets and networks—and argues that entrepreneurial capabilities translate these resources into innovation and sustainable performance. Policy priorities include patient capital, research commercialisation, regional inclusion and outcome-based evaluation.*

Keywords: *India; start-up ecosystem; entrepreneurship; innovation; Startup India; sustainability.*

1. INTRODUCTION

Entrepreneurship contributes to economic development by introducing new products, business models and organisational practices. Schumpeter (1934) viewed entrepreneurs as agents of economic change; contemporary research emphasises the institutions and relationships that enable them. An entrepreneurial ecosystem comprises entrepreneurs, investors, universities, governments, customers and support organisations whose interaction shapes opportunities and outcomes (Stam, 2015; Spigel, 2017).

India provides a valuable setting for analysing these interactions. Technology services, digital payments, online commerce and an expanding consumer market have supported entrepreneurial activity, while the Startup India initiative launched in 2016 gave start-up promotion a distinct policy identity. Official government releases reported more than 223,000 DPIIT-recognised start-ups and over 2.33 million direct jobs by March 2026 (Ministry of Commerce and Industry, 2026a). Such administrative figures signal scale, but they cannot establish how many ventures remain active or financially sustainable.

The article asks how India's ecosystem has developed, which factors enable start-up innovation, and what constraints limit inclusive, long-term growth. It synthesises academic theory and government evidence and proposes a conceptual model linking ecosystem conditions with venture capabilities and outcomes.

2. Theoretical foundation

Entrepreneurial ecosystem theory treats entrepreneurship as embedded in a regional configuration of institutions, culture, networks and material resources (Spigel, 2017). Stam and van de Ven (2021) argue that ecosystem elements operate interdependently: capital without skilled labour, customers or supportive institutions may have limited effect. Institutional theory explains how formal rules and informal norms shape incentives and uncertainty (North, 1990). The resource-based view explains why ventures differ in their ability to use accessible resources for competitive advantage (Barney, 1991). Together, these perspectives connect external conditions with internal entrepreneurial capability.

3. Development of the Indian start-up ecosystem

The evolution of India's start-up landscape may be understood in four overlapping stages. Economic liberalisation and software-services expansion created technology talent and global business connections. Internet access and smartphones then supported e-commerce and platform-based enterprises. After 2016, Startup India introduced recognition and policy support for eligible ventures. More recently, entrepreneurial activity has diversified into artificial intelligence, biotechnology, financial technology, clean energy, space technology and advanced manufacturing.

Government recognition data show a strong rise in annual additions, from 502 in 2016 to 49,429 in 2025 (Ministry of Commerce and Industry, 2026b). These are recognition counts, not verified estimates of new firm births or surviving enterprises. Differences between programme eligibility and the wider population of small businesses are essential when interpreting growth.

4. Principal ecosystem enablers

Policy and regulation. Startup India has supported formal recognition, intellectual-property facilitation, regulatory assistance and access to selected benefits. Clearer rules can reduce entrepreneurial uncertainty, although sector-specific licensing, taxation and compliance remain consequential for young ventures. Policy effectiveness depends on accessibility and predictable implementation rather than the mere existence of schemes.

Finance. Funding requirements change across venture stages. Grants and seed investment can support experimentation; venture capital can finance high-growth expansion; credit and patient capital may better suit manufacturing and research-intensive enterprises. The Fund of Funds for Startups channels investment through eligible funds, while the Startup India Seed Fund Scheme supports early-stage activity through incubators. Official figures reported approximately ₹25,548 crore invested by supported alternative investment funds in 1,371 start-ups by December 2025 (Ministry of Commerce and Industry, 2026b). Such support is important but reaches only part of the entrepreneurial population.

Human capital and knowledge institutions. Universities and research organisations supply skilled graduates, technical knowledge, laboratories and potential intellectual property. The Triple Helix model highlights cooperation among universities, industry and government in innovation-led development (Etzkowitz & Leydesdorff, 2000). Entrepreneurial education should supplement technical expertise with customer discovery, marketing, finance, negotiation and management skills.

Incubators, accelerators and networks. Incubators provide mentoring, workspace, laboratories and access to investors; accelerators often offer time-bound programmes for refining business models and investment readiness. Networks also connect founders with customers, suppliers and experienced entrepreneurs. Their quality should be judged through venture outcomes and access for less-connected founders.

Digital and market infrastructure. Digital payments, online platforms and connectivity can reduce transaction costs and enable ventures to serve dispersed markets. Yet technological reach does not remove challenges in customer trust, language accessibility, data governance or purchasing power.

5. Regional dimensions

Entrepreneurial activity is concentrated in established hubs including Bengaluru, Delhi–NCR, Mumbai, Hyderabad, Pune and Chennai. Their advantages arise from accumulated talent, investors, professional services and research institutions. Emerging cities offer local industry knowledge and potentially lower operating costs, but often have weaker financing and mentoring networks. Comparing ecosystems requires indicators such as venture survival, innovation outputs and funding per firm, rather than raw registration counts alone.

6. Emerging opportunities

Artificial intelligence and deep technology. Start-ups increasingly develop AI products or adopt AI in operations, customer service and innovation. These are distinct business models: AI-centric enterprises often require advanced research and specialised talent, whereas AI adopters may focus on process improvements. Biotechnology, robotics, semiconductors and space technology create additional possibilities, but may require testing facilities, intellectual-property support and long investment horizons.

Financial technology. Digital payment and financial infrastructure enables innovations in payments, lending, insurance and financial management. Sustainable growth requires regulatory compliance, cybersecurity, responsible credit practices and consumer protection.

Agriculture and healthcare. Agricultural ventures can improve crop monitoring, irrigation, market linkages and supply chains. Healthcare start-ups can address diagnostics, medical devices, digital care and affordability. Both fields require context-sensitive products; healthcare ventures additionally face clinical and data-protection responsibilities.

Climate and circular economy. Renewable energy, electric mobility, waste recovery, energy storage and resource-efficient manufacturing offer commercially relevant sustainability opportunities. However, physical infrastructure, procurement conditions and capital intensity can slow scaling.

7. Persistent structural challenges

Finance gaps remain pronounced for pre-revenue, rural and research-intensive ventures. Conventional venture capital often favours rapid growth and clear exit prospects, whereas scientific commercialisation may take years. Financing should therefore be matched to technological and commercial milestones.

Regulatory complexity can divert scarce founder time into compliance. Fragmented requirements across sectors and jurisdictions increase uncertainty, even where digital procedures have improved administrative access.

Business-model fragility is another concern. Venture formation does not ensure product–market fit, positive unit economics, reliable cash flow or survival. A focus on headline valuations can obscure durable value creation. Jha (2018) argues for greater attention to entrepreneurial value creation and ecosystem fundamentals.

Commercialisation gaps arise when laboratory advances lack prototyping, certification, manufacturing partners or paying customers. Universities need workable technology-transfer arrangements, while investors and incubators need expertise in science-based ventures.

Regional and social inequality may reinforce existing advantages. Entrepreneurs outside major hubs, including women and founders without established professional networks, may face additional barriers to funding and mentorship. The presence of a woman director or partner in a recognised venture is not equivalent to majority women ownership; participation indicators should be interpreted precisely.

Finally, rapid technology adoption creates governance risks relating to privacy, cybersecurity, algorithmic bias, employment and environmental impact. Responsible practices are not separate from venture sustainability: they influence trust, regulatory exposure and long-term performance.

8. Discussion: An integrated conceptual framework

The evidence supports an integrated rather than single-factor interpretation of ecosystem performance. Financial capital, public policy, knowledge institutions, markets and networks are complementary. Their contribution depends on founders' ability to identify opportunities, mobilise resources, absorb knowledge and adapt strategy. Ecosystem resources may therefore influence innovation through entrepreneurial capabilities, and innovation may subsequently influence growth, survival and social value.

Proposed conceptual sequence: Ecosystem enablers (policy, finance, talent, infrastructure, markets and networks) → entrepreneurial capabilities (resource mobilisation, opportunity recognition and adaptability) → innovation outcomes (products, processes and business models) → sustainable performance (survival, employment, profitability and social/environmental value). Region, industry and venture life-cycle stage may modify these relationships.

This framework is a theoretical proposition rather than an empirically estimated causal model. Future research could test mediation through entrepreneurial capabilities and moderation by industry or regional maturity using longitudinal surveys and multilevel models. Such work should distinguish registered firms from active ventures and compare similar firms receiving different types of support.

9. Policy and managerial implications

First, governments should evaluate start-up programmes using venture survival, innovation commercialisation, productive employment and regional inclusion, rather than relying primarily on recognition totals. Second, finance mechanisms should include grants and patient capital for research-based ventures alongside conventional venture investment. Third, universities should strengthen proof-of-concept funding, technology-transfer services, industry partnerships and entrepreneurial learning. Fourth, regional policy should build on local industrial strengths rather than simply replicate large-city technology clusters.

For entrepreneurs, the findings emphasise customer validation, cash-flow discipline, network development and capability building. For investors and incubators, support should extend beyond funding to governance, strategic mentoring and market access. Responsible innovation and environmental sustainability should be incorporated early in business development.

10. Conclusion

India's start-up ecosystem has become a significant component of its innovation and development landscape. Policy recognition, entrepreneurial finance, digital infrastructure and a growing talent base have helped expand formal start-up activity. Nevertheless, registrations and funding announcements provide only partial evidence of ecosystem success. Long-term competitiveness depends on venture survival, research commercialisation, inclusive access to resources and responsible innovation. A stronger Indian ecosystem will be measured not simply by how many firms are created, but by how effectively they translate opportunities into durable economic and social value.

11. Limitations

This article is an integrative conceptual review based on selected scholarly and institutional sources, not a systematic review or primary empirical study. Government statistics are administrative measures with definitional limitations. The proposed relationships require testing with firm-level longitudinal data.

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