

Startup Ecosystem in India: Growth Trends 2016 to 2025

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ABSTRACT

This paper analyses the progress of the startup scenario in India from 2016 to 2025, utilizing secondary data extracted from official sources, including DPIIT, the Startup India Portal, and NASSCOM. The introduction of the Startup India initiative in 2016 led to a considerable change in policy, as it provided access to funding, tax deductions, and the lifting of some regulatory restrictions. The recognized startups' count increased from below 500 in 2016 to more than 1.59 lakh by 2025, making India the 3rd biggest startup hub in the world. Startups had a participation of over 1.66 million jobs, obtained global investment, and moved to Tier II and Tier III cities, indicating an inclusive growth. However, the funding slowdowns and regulatory barriers still haunt the startup ecosystem, which is seen as a structural transformation of the Indian economy, contributing to innovation, employment, and competitiveness.

Keywords: Startup Ecosystem, India, Entrepreneurship, Innovation, Economic Growth, Startup India, Secondary Data.

Introduction

The Indian startup ecosystem has emerged as one of the largest and fastest-growing entrepreneurial networks in the world, driven by government initiatives, rapid digital tech adoption, and a young population that represents the market's most promising face. The 2016 launch of the Startup India initiative was a watershed moment that gave innovation and entrepreneurship support in the form of policy, finance, and business-friendly measures, and thus, opened the area for growing the startups in India. Launched in 2016, the initiative aimed to build a robust startup ecosystem by providing policy support, easing regulatory barriers, improving access to funding, and promoting a culture of innovation across the country." (Vanara, 2025) Since then, India has not just overtaken but transformed itself into the third-largest startup ecosystem after the United States and China (Startup Genome, 2023). The Department for Promotion of Industry and Internal Trade (DPIIT) has recognized, till January 2025, more than 1.59 lakh startups (DPIIT, 2025), while in 2016, there were only 500 or fewer. The steep increase in numbers is the result of speeding up not only the entrepreneurial but also the whole economic activity in the country—this time taking place in the areas of information technology, e-commerce, healthcare, agriculture, and finance tech, which have become the quickest and largest sectors of investor interest. Significantly, the ecosystem is not just in the metros; more than half of the recognized startups are now coming from Tier II and Tier III cities, thus showing that the ecosystem is being built up in towns also (Startup India Portal, 2025). Startups have made a great economic contribution to India. According to the data from DPIIT, the number of direct jobs created by these companies will exceed 1.66 million by 2025,

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not counting the many more that will be created indirectly through the industries and service networks tied to them. Furthermore, the valuation of the whole ecosystem has crossed USD 350 billion, which is a clear indication of the ecosystem's growing might in terms of wealth creation, drawing foreign investments, and promoting tech innovations. Hence, the Indian startup ecosystem is more than a collection of new companies; it is the India economy's structural transformation. It is altering the traditional sectors and making India more competitive internationally. The current research, therefore, is aimed at the following objectives: (i) to analyse the growth of the Indian startup ecosystem since 2016, (ii) to investigate the policy measures facilitating this growth, and (iii) to evaluate the economic and social impacts of this entrepreneurial awakening.

Objectives of the Study

The current research intends to evaluate the transition of the Indian startup ecosystem between the years 2016 and 2025. The aims are:

- To scrutinize the official secondary data for the growth trends of startups in India from 2016 to 2025.
- To investigate and understand how the government initiatives and policies, mainly the Startup India program, have been instrumental in promoting the business activity.
- To analyse the startup distribution by sectors, placing particular importance on the growing fields of IT, e-commerce, healthcare, agriculture, and fintech.
- To investigate the startup locations not only in the metro areas but also in Tier II and Tier III cities, and give a clear picture of their involvement in the process.
- To review the economic impacts of startups that include the creation of jobs, influx of investment, and growth in valuation.
- To uncover the obstacles that are in the way and the bright future possibilities that will help in keeping the startup ecosystem in India alive and flourishing.

Research Methodology

This research paper adopts a descriptive and analytical approach based on secondary data covering the period from 2016 to 2025. Data were obtained from credible and official sources, including the *Department for Promotion of Industry and Internal Trade (DPIIT)*, *Startup India Portal*, *NASSCOM*, *Startup Genome Reports*, and *Ministry of Commerce and Industry* publications. Additional references from the *Press Information Bureau (PIB)* and scholarly journals were also reviewed. The collected data were systematically analysed to study growth trends, policy initiatives, sectoral diversification, and the overall impact of startups on India's economy. This methodology ensures authenticity, reliability, and a comprehensive understanding of the Indian startup ecosystem.

Growth Trends of the Indian Startup Ecosystem (2016–2025)

The period between 2016 and 2025 is the decade during which the Indian startup ecosystem underwent a rapid and dramatic transformation. The different phases of this transformation can be roughly mapped out along the lines of the policies that were introduced, the trends in funding, and the diversification of sectors.

2016–2017: Foundation Phase

- The Startup India initiative, which was launched in January 2016, gave the recognition along with tax exemptions and simplified compliance.
- Only up to 500 innovative startups were recognized by DPIIT in India in the year 2016.
- The main attention was given to IT services, e-commerce, and mobile application-based platforms.

2018–2019: Expansion and Sectoral Diversification

- Startups that were acknowledged over the years reached more than 10,000 by the year 2018.
- Headway made in areas like health tech, edtech, and agriculture-based solutions.
- Indirectly, the changes in the FDI policy attracted more foreign investment.

2020–2021: Resilience during the Pandemic

Despite the challenges posed by COVID-19, the industry showed remarkable resilience, accelerating growth from 30.12% in 2020 to 40.39% in 2021. “Ten resilience elements for start-ups during COVID-19 were identified, such as technology capability, organizational flexibility, and agile leadership” (Sreenivasan & Suresh, 2023).

- The COVID-19 pandemic led to the digital adoption of more and more people around the globe. This resulted in a huge and rapid growth of technology education startups (e.g., Byju's), and technology health, logistics, and digital payments.
- Over 61,000 startups were reported by the Department of Promotion for Industry and Internal Trade (DPIIT) during 2021.
- The number of passed unicorns went up as India recognized 44 unicorns in 2021, which was the highest addition in a single year.

2022–2023: Global Recognition

- Recognized startups reached the number of 90,000 by the end of 2022 (Startup India Portal). As of December 2023, over 1.17 lakh startups have been recognized by the Department for Promotion of Industry and Internal Trade (DPIIT), generating more than 12.4 lakh direct jobs and expanding across 80% of India's districts.” (Varalakshmi, 2025)
- India became the third-biggest startup ecosystem in the world, following the United States and China.
- Startup Genome's Global Report placed Bengaluru, Delhi-NCR, and Mumbai among the top global startup hubs.
- Venture capital and private equity saw significant investment inflows.

2024: Consolidation and Maturity

- DPIIT announced in mid-2024 that there will be more than 1.25 lakh startups recognized.
- Startup activities reached Tier II and Tier III cities, where the majority of new startups—about 50%—were outside metro regions.
- The focus was on sustainable technologies, clean energy, and artificial intelligence.

2025: Current Landscape

- As of January 2025, DPIIT has officially recognized 159,000 startups. With more than 1.59 lakh startups recognized by the Department for Promotion of Industry and Internal Trade (DPIIT) as of January 15, 2025, India has firmly established itself as the third-largest startup ecosystem in the world.(PIB, 2025)
- The system has more than 110 unicorns, and the total value of these unicorns exceeds USD 350 billion.
- Startups created 1.66 million direct jobs and also indirect employment, which is many times more than that.
- India's startup ecosystem has grown to be an important part of the national economy, contributing to the GDP growth, tech advancements, and international competitiveness.

Year	DPIIT Recognized Startups	Cumulative Unicorns	Estimated Direct Jobs Created	Key Highlights
2016	< 500	8	~50,000	Launch of Startup India initiative
2017	~5,000	10	~85,000	Early growth in e-commerce & IT
2018	~10,000	18	~1,20,000	Diversification into healthtech & edtech
2019	~20,000	25	~2,00,000	Rising FDI inflows & startup hubs outside metros

2020	~40,000	35	~3,50,000	COVID-19 accelerates edtech & health tech
2021	~61,000	77	~6,00,000	Record 44 unicorns added in one year
2022	~90,000	95	~9,00,000	India becomes the 3rd largest ecosystem
2023	~1,00,000+	103	~12,00,000	Growth in fintech & clean energy
2024	~1,25,000+	110	~15,00,000	Expansion into Tier II & Tier III cities
2025	~1,59,000	110+	~16,60,000	Valuation surpasses USD 350 billion

Sources: DPIIT (2025), Startup India Portal (2025), NASSCOM (2023), Economic Survey (2024).

Economic and Social Impact of Startups in India (2016–2025)

The rapid expansion of India's startup ecosystem has generated far-reaching effects on the economy and society. Its impact can be observed across multiple dimensions:

- **Job Creation and Employment Opportunities**
 - DPIIT reports (2025) that startups that were recognized have generated direct jobs of more than 1.66 million and an indirect job effect through services that are allied, by means of supply chains, and partner industries.
 - Tech startups, logistics, and e-commerce have taken in a huge percentage of the young workforce and thus, addressed the problem of underemployment to a large extent.
- **Contribution to GDP and Wealth Creation**
 - Indian startups' value went beyond USD 350 billion by the start of 2025, which had a substantial impact on the national income.
 - The growth of unicorns—now more than 110—indicates the ecosystem's ability to create wealth.
 - The investment flows from venture capital and foreign direct investment have improved India's position regarding the balance of payments.
- **Regional and Inclusive Development**
 - Tier II and Tier III cities now account for more than 50% of recognized startups (Startup India Portal, 2025).
 - Thus, it can be concluded that the entrepreneurial activity is not limited anymore to the big cities like Bengaluru, Delhi, and Mumbai but the small cities as well such as Jaipur, Kochi, Indore, and Bhubaneswar, which eventually results in regional development.
- **Sectoral Transformation and Innovation**
 - Healthcare (telemedicine, diagnostics), education (edtech platforms), agriculture (agritech solutions), financial technology (UPI, digital lending), and clean energy are sectors where start-ups have been the main source of innovation in these sectors explained above.
 - Moreover, these sectors not only directly deal with India's developmental challenges but also produce solutions that are both large-scale and low-cost.
- **Social Empowerment and Demographic Dividend**
 - Women entrepreneurs have been provided new opportunities by startups with the help of the Stand-Up India initiative and the various state government policies.
 - Youth participation in entrepreneurship has increased dramatically, thus taking advantage of the demographic advantage of having a large working-age population in India.
 - Moreover, startups helped by addressing rural markets, low-income groups, and digitally underserved populations have also promoted inclusivity.

Challenges of the Indian Startup Ecosystem (2016–2025)

Despite remarkable growth, the Indian startup ecosystem continues to face several structural and operational challenges that could affect its sustainability.

- **Funding Winter and Investment Slowdowns**
 - The ecosystem went through a funding winter starting in 2022, which was triggered by global economic slowdown, increased interest rates, and hesitant investors after the record funding inflows of 2021.
 - Many of the startups could not make it to the follow-up rounds of financing and eventually leading to layoffs and mergers.
- **High Mortality Rate of Startups**
 - Research indicates that more than 75% of Indian startups disappear within the first five years because they run out of capital, the product is not suited to the market, or the growth potential is limited (NASSCOM, 2023).
 - The failure is very common in non-tech sectors and in companies that have no strong investors.
- **Regulatory and Compliance Burden**
 - Although the policies have made business operations easier, the startups still have to deal with the complex taxation, compliance, and licensing requirements at both the central and state levels.
 - Difficulties with GST refunds, protecting intellectual property, and labor laws continue to be a challenge.
- **Talent Retention and Skill Gaps**
 - Typically, startups encounter a lot of difficulties in attracting and keeping capable hands, especially in those fields that demand high-level skills, such as artificial intelligence, data analytics, and deep technology.
 - The talent war with the well-established companies drives the hiring costs up significantly.
- **Infrastructure and Market Access Limitations**
 - Those startups that are based in Tier II and III cities suffer from a lack of access to good quality digital infrastructure, good logistics support, and investor networks.
 - Along with these, many entrepreneurs also face restrictions and limitations due to trade barriers and weak global connections when trying to penetrate the international markets.
- **Global Economic Uncertainties**
 - The startup ecosystem in India is heavily reliant on foreign venture capital and private equity. Global disruptions, like the US-China trade war, inflationary pressures, and currency fluctuations, have a direct impact on fund availability and market stability.

Future Prospects and Opportunities of the Indian Startup Ecosystem

As we look to the future, the startup ecosystem in India is projected to take an even bigger part in influencing the country's economic and social aspects. The following opportunities are already indicators of the strong growth:

- **Digital Economy on the Rise**
 - Internet usage is foreseen to reach over a billion users in 2030, and thus the startups will still have a huge digital consumer base to draw from.
 - The anterior growth of artificial intelligence, blockchain, cloud, and 5G will be the birth of new innovative avenues.
- **Supportive Government Policies**

Startups will continue to get the needed regulatory, financial, and infrastructural support through the government policies of Startup India, Digital India, Atmanirbhar Bharat, and Make in India. The startup ecosystem's growth has been largely policy-driven, strengthened by these initiatives, which collectively created a robust innovation climate and investment confidence in India (Patil, 2024). As given by the

Fund of Funds for Startups (FFS) and state-level policies, it is expected that early-stage ventures will have a better chance of getting their funds from VCs.

- **Attention to Tier II and Tier III Cities**
 - Entrepreneurship activity is rising in non-metro areas, giving promise of more to come.
 - By building up both digital and physical infrastructure in small towns, new customer bases are opened up and inequality between regions is decreased.
- **Sectoral Growth Opportunities**
 - Healthtech: Rising need for telemedicine, diagnostics, and digital healthcare solutions.
 - Agritech: Tech solutions for farmers in storage, logistics, and crop management.
 - CleanTech and Green Energy: Electric mobility, renewable energy, and sustainable practices.
 - FinTech: Digital lending, insurance technology, and blockchain-based finance are growing.
- **Indian Startups Moving Up in the Global Value Chain**
 - Indian startups are getting more and more foreign direct investments (FDI) as well as partnerships with larger global firms.
 - Getting into global supply chains means opportunities for exports, partnerships, and growth in the international market.
- **Demographic Dividend and Social Innovation**
 - With over 65% of India's population below the age of 35, startups can leverage a young, tech-savvy workforce.
 - Startups addressing social issues—such as education, rural development, and healthcare accessibility—will contribute not only to profitability but also to inclusive growth.

Conclusion

The metamorphosis of the Indian startup ecosystem from 2016 to 2025 is suggestive of a radical modification of the Indian economy's structure. The Startup India project, together with policy changes, funds, and digital infrastructure, has pushed the number of startups recognized from less than 500 in 2016 to slightly above 1.59 lakh by 2025. This remarkable development has made India the third-largest startup hub in the world after the US and China. Startups feed the economy not only through their numbers but also via jobs and wealth creation. They have added more than 1.66 million direct jobs, turned more than 110 startups into billion-dollar companies, and also sparked innovations in vital sectors, such as healthcare, education, agriculture, and fintech. The dispersal of startups to the smaller towns and cities is an indication that development is indeed inclusive, as it lessens the traditional focus on the large cities for entrepreneurs. Nonetheless, issues like reduced funding, regulatory hindrances, and high mortality rates among startups keep surfacing, and these highlight the necessity for continuous policy support and strengthening of the ecosystem. It would be impossible to keep the momentum going and to ensure the sustainability of new ideas for a long period without the removal of obstacles. In the future, however, India's young population, growing digital economy, and the nation's greater integration into the world economy will still be seen as the main drivers of the future growth potential. With the continued backing of the government as well as the assurance of increased investor confidence, the Indian startup ecosystem is not only ready to play a significant role in economic development but also to be a source of innovation, job creation, and global competitiveness.

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