

Startup and go

In India, favourable policies, culture of innovation and collaborative efforts provide foundation for scaling up

- Amitabh Kant*

INDIA'S STARTUP ECOSYSTEM has witnessed extraordinary growth, transforming from a fledgling stage to becoming the world's third-largest hub for innovation and entrepreneurship. With over 130,000 recognised startups today—up from approximately 400 in 2015-16—India's progress is remarkable. During this period, startup funding grew 15 times, the number of investors increased ninefold, and the number of incubators grew sevenfold. This transformation owes much to India's robust digital public infrastructure, which has addressed pressing global challenges such as achieving Sustainable Development Goals, combating climate change, fostering financial inclusion, and improving agricultural productivity.

Opportunities in Emerging Technologies

India stands at the threshold of a technological revolution, presenting immense opportunities in areas such as artificial intelligence (AI), machine learning (ML), big data, energy transition, electric vehicles (EVs), quantum computing, genomics, 3D printing, robotics, drones, and space exploration. The government has actively fostered this progress through initiatives like the National Quantum Mission, India AI Mission, and Semiconductor Mission, alongside allocating ₹1 lakh crore for research and development (R&D).

Progressive policies have opened up new sectors, including space, geospatial technology, defence, and drones, encouraging startups to venture into cutting-edge domains. Realising the full potential of these advancements requires collaboration between policymakers, entrepreneurs, and educational institutions.

Addressing the Capital Challenge

Despite their success, Indian startups, particularly in deep tech sectors, face challenges in accessing patient capital. The Fund of Funds for Startups (FFS), launched in 2016, has been a game changer. With ₹11,688 crore committed through 151 AIFs, it has catalysed a capital pool of ₹81,000 crore, creating a significant multiplier effect.

However, India needs a specialised fund of funds for deep tech startups that require long-term investments. Increasing domestic capital sources is also essential. Although Indian startups raised over \$12 billion in 2024, about 75% of this funding came from international sources. Large domestic institutions like insurance companies and pension funds can allocate a portion of their surpluses to support startups, while family offices and businesses should take on more active roles as angel investors.

Strengthening the PE and VC Ecosystem

Private equity (PE) and venture capital (VC) have significantly shaped India's startup ecosystem. Funding from these sources grew from \$19.7 billion in 2015 to a peak of \$77.07 billion in 2021, and in early 2024 alone, it stood at \$49.54 billion. Over 50% of India's unicorns have been backed by PE and VC investments.

To ensure sustainability, domestic funds must grow and focus on long-term value creation. A shift toward profitability, quality over quantity, and more robust business models can help startups achieve sustainable growth.

Fostering Self-Regulation

In designing Startup India, we prioritised avoiding excessive regulations that could hinder startups. India's startup ecosystem thrives on minimal regulatory interference, fostering innovation. However, recent incidents of corporate mismanagement in startups such as Byju's, Dunzo, and BharatPe have raised concerns. Startups must adopt self-regulation frameworks that emphasise accountability, transparency, and ethical conduct.

This involves strong mentorship, professional boards, and sound financial management. Venture capitalists and angel investors play a vital role by ensuring governance and mentoring startups to balance growth with long-term stability.

Building New-Age Skills

India's premier educational institutions, including IITs, IIMs, and IIITs, are integral to the startup ecosystem, producing skilled professionals and fostering innovation. To keep pace with emerging needs, curricula must address skill shortages in areas such as product development, data science, and AI-ML.

Collaboration between academia and industry is vital to ensure that educational programs align with market needs. Programs for internships, apprenticeships, and recruitment can attract talent to startups and bridge existing skill gaps.

Regulating Innovation

As new technologies disrupt industries, regulators must adapt to the changing landscape. India's regulatory framework must balance innovation with oversight, enabling startups to thrive while mitigating risks associated with unregulated growth. Pro-innovation policies will be crucial in maintaining India's competitive edge.

Driving Innovation Through Intellectual Property

India produces approximately 24,000 PhD graduates annually, driving advancements in science and engineering. However, the country paid \$14.3 billion in IPR royalties in 2024, while earning only \$1.5 billion, highlighting a significant gap. Greater innovation and breakthroughs are essential to bridge this gap.

Creating a vibrant ideas ecosystem, one that rewards and protects intellectual property, can establish India as a global hub for innovation. Startups must lead this charge, contributing to advancements in science, technology, and intellectual property.

Expanding Startup Hubs Beyond Metros

India's startup ecosystem is no longer confined to metro cities like Bengaluru, Mumbai, and Delhi. Nearly 50% of the country's startups originate from Tier II and Tier III cities, including emerging hubs like Indore, Jaipur, and Ahmedabad. With nearly half of India's urban population living in smaller cities, these regions offer immense potential for growth.

Tech companies are increasingly establishing operations in cities such as Chandigarh, Visakhapatnam, and Ahmedabad. Supporting these regional hubs with infrastructure, educational opportunities, and inclusivity—especially by increasing women's representation in leadership roles—will unlock untapped talent and drive innovation.

The Road Ahead

India is well-positioned to become the world's leading startup ecosystem. Favorable policies, a thriving culture of innovation, and collaborative efforts across sectors provide the foundation for scaling startups into global enterprises. As India works towards its vision of *Viksit Bharat* by 2047, startups will play a pivotal role in driving economic growth, creating jobs, and positioning India as a leader in innovation.

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