Indian Economy · GS - III

How are startups in India promoting entrepreneurship, innovation and employment? Discuss the global and domestic challenges in their working and suggest suitable measures to overcome these challenges.

EXAM YEAR	PAPER	SUBJECT
2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Startup India, innovation, employment, DPIIT recognition, venture capital, deep-tech, funding gap, regulatory burden, global competition, intellectual property, skilling

Model Answer

Startups have emerged as important instruments of entrepreneurial dynamism, technological innovation and employment generation in India. By converting ideas into scalable products and services, they contribute to productivity and new forms of employment.

Their contribution includes:

1. Entrepreneurship: Startup India, incubators and seed funding have lowered entry barriers for first-generation entrepreneurs.
2. Innovation: Startups are active in fintech, space, AI, biotechnology, agritech and clean technology.
3. Employment: DPIIT-recognised startups crossed 2.23 lakh by March 2026 and reported more than 23.36 lakh direct jobs.
4. Regional inclusion: Nearly half of recognised startups have emerged outside traditional metropolitan ecosystems.

Challenges include limited patient capital, dependence on foreign funding, weak university–industry linkages, regulatory compliance, shortage of specialised skills and difficulties in scaling. Globally, startups face geopolitical fragmentation, technology-access restrictions, intense competition and uncertain capital markets.

Measures should include:

1. Expanding Fund of Funds, seed funding and credit guarantees.
2. Strengthening deep-tech research, university incubators and public procurement.
3. Simplifying compliance while strengthening corporate governance.
4. Improving patent support and technology-transfer mechanisms.
5. Creating globally competitive manufacturing and testing ecosystems.
6. Promoting international market access and resilient supply chains.

The revised 2026 startup-recognition framework has specifically widened support for deep-tech enterprises and long-term innovation.

Thus, India's next phase should move from startup creation to sustainable scaling, deep-tech capability and globally competitive innovation.

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