

Beyond Startup Numbers: Rethinking Employment, Inclusion, and Regional Equity in India's Startup Ecosystem

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India's ascent as one of the world's largest startup ecosystems is widely celebrated. As of January 2025, the country has over 1.59 lakh DPIIT-recognised startups generating 16.6 lakh direct jobs (Startup India Portal, 2025). The narrative of India as a 'startup nation' is deeply entrenched in the national imagination, supported by flagship schemes such as Startup India, Stand-Up India, and the Atal Innovation Mission. *Yet, alongside this rapid expansion, there are emerging opportunities to strengthen spatial inclusivity, gender equity, and the sustainability of employment outcomes within the ecosystem.* This opinion piece interrogates these issues, reflecting on a decade of research experience at the intersection of regional development and labour studies.

▪ Counting Startups, Capturing the Full Story

Much of the policy discourse on startups in India has emphasised scale: the number of DPIIT-recognised startups, unicorns, incubators, and registered angel investors. However, emerging scholarship suggests that focusing solely on scale may overlook deeper systemic transformations essential for long-term impact. Chodankar (2019) calls it an 'imbalanced ecosystem,' where startups tend to be concentrated in metropolitan regions with robust infrastructure and digital access—primarily Bengaluru, Delhi-NCR, and Mumbai, thereby highlighting the need for targeted efforts to bridge regional development gaps. Singh (2017) further reinforces this by mapping the spatial distribution of startups, showing a clear correlation with pre-existing urban development and economic clustering.

Delgado, Porter, and Stern (2010), in their influential work on entrepreneurship and clusters, argue that robust startup ecosystems emerge not merely from individual enterprise but from regional synergies—concentrated networks of firms, skilled workers, universities, and supporting institutions. By this measure, India's startup ecosystem is thriving in a few urban nodes while peripheral regions remain excluded from the benefits of entrepreneurial growth. A review of India's entrepreneurship policy by Tiwari, Hogan, and O'Gorman (2021) confirms that the Startup India policy disproportionately supports well-connected, high-growth startups and underrepresents inclusive or community-rooted entrepreneurship.

▪ Who Gets Left Behind? Broadening the Lens of Inclusion

The Startup India initiative has definitely impacted employment creation, but closer scrutiny reveals that employment quality, sustainability, and inclusion remain under-addressed. Studies have found that while startups are key to job creation, a significant proportion of these jobs tend to be contractual or lack social protection benefits, suggesting an opportunity for policy innovation in employment standards. Surie (2020) offers compelling evidence from Bengaluru, showing how digital platforms, often celebrated as innovative startups, depend on informal labour structures, especially in the gig economy, underscoring the need for better social protections. Thomas (2024) also highlights that platform-based startups frequently create uncertain employment conditions that hold back social protection for workers.

Gender-based exclusion is equally prominent. Despite numerous government schemes promoting women entrepreneurship, currently, women-led startups constitute just 7.5% of the ecosystem, highlighting a key opportunity for gender-focused policy instruments. (WISER Report, 2023; Outlook Business, 2023). Baral et al. (2023) and Dangi (2014) note that structural barriers, such as limited access to capital, male-dominated networks, digital literacy gaps, and socio-cultural norms, present actionable areas where targeted interventions could accelerate women's participation in the startup economy. The study by Rakshit and Basole (2024) further argues that intersecting caste and class identities compound this difference, making entrepreneurship a domain accessible primarily to elite, upper-caste, urban men.

- **The Digital Divide: Infrastructure for Inclusive Growth**

In an era where digital platforms serve as both markets and incubators for startups, the digital divide in India cannot be ignored. As per Gupta (2020), digital initiatives like Digital India have largely benefitted urban middle classes, while rural and remote areas continue to face infrastructure and digital literacy challenges, which could be addressed through strengthened last-mile initiatives. Bhatia-Kalluri (2021) notes that rural micro-entrepreneurs face significant technological and infrastructural barriers in accessing e-commerce and digital marketplaces. This divide not only highlights the importance of equitable digital infrastructure to unlock rural entrepreneurial potential but also limits the emergence of grassroots entrepreneurship in rural and semi-urban India. Targeted investment in rural digital infrastructure offers a timely opportunity to extend the benefits of India's startup ecosystem beyond already well-connected urban areas.

- **Innovation for Whom? Extending the Reach of Innovation**

Startups are often valorised as engines of innovation, but the question remains: innovation for whom and by whom? Mitra et al. (2023) highlight that while smart city initiatives and digital accelerators have created a conducive environment for tech-driven startups, these have been more accessible to urban, high-income segments, indicating the potential to scale innovation for underserved markets. The vast informal sector, agrarian economies, and lower-income communities remain underserved. Kumar (2024) and Mishra et al. (2023) warn against technophilia, arguing that unless innovation is grounded in local contexts and addresses real-world inequalities, its transformational potential remains limited.

Studies have also highlighted the frequency with which startups pivot away from their original community-centric goals toward more commercially viable models due to investor pressure. Thus, the startup narrative, rooted in disruption and democratisation, may unintentionally deepen concentration of capital unless complemented by inclusive policy safeguard.

- **Towards a Smarter Startup Policy: Opportunities for Inclusive and Equitable Startup Growth**

The idea that entrepreneurial policy must move beyond 'celebrating success' to fostering inclusive, sustainable ecosystems has long been echoed by scholars such as Baumol (1996) and Naudé (2013). Tiwari (2023) and Maradi (2023) stress that government-led entrepreneurship schemes must reorient toward underserved geographies and marginalised demographics. To build on the achievements of India's startup journey, a few policy enhancements could further align entrepreneurial growth with national goals of employment generation, gender equality, and balanced regional development.

- **Employment Quality Metrics:** Develop and integrate metrics into existing monitoring frameworks that assess not just job creation but also employment quality indicators—considering wage levels, contractual stability, skill development, and upward mobility.
 - **Geospatial Equity in Startup Funding:** Allocate public funds, incubator grants, and tax incentives preferentially to underrepresented states and towns.
 - **Gender and Social Equity Audits:** Mandate gender and caste disaggregated reporting on startup boards, founders, and employees.
 - **Digital Infrastructure in Rural and Remote Areas:** Accelerate the implementation of BharatNet and related initiatives to ensure digital access for aspiring rural entrepreneurs as well as those from the remote areas.
 - **Community-Driven Innovation Hubs:** Support the establishment of local innovation hubs through public-private and community partnerships to promote grassroots entrepreneurship.
 - **Data Architecture Improvement:** Identify key data gaps in startup registration, employment tracking, and digital access offering suggestions for more granular data monitoring systems to inform evidence-based policymaking.
- **Reimagining Entrepreneurship for an Inclusive Future**

Startups are not a silver bullet, but they can be vital levers of economic transformation if appropriately conceptualised and supported. A thoughtful shift in policy emphasis—from quantity to quality, from growth to balanced distribution, and from elite innovation to inclusive opportunity, can further amplify the gains of the startup movement. For the Ministry of Labour and Employment, this is a clear opportune moment to design next-generation, evidence-based interventions that strengthen the ecosystem’s inclusivity, and resilience. The Ministry in close coordination with MSME, Skill Development, and Rural Development can play a catalyst role in bridging the digital, gender, and regional divides to steer India toward a more equitable and sustainable entrepreneurial future.

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