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Startup India at 10 — From Policy Announcement to World's Third-Largest Ecosystem

17 January 2026

SUBJECTS COVERED

ECONOMY   SCIENCE & TECH

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Startup India at 10 — From Policy Announcement to World's Third-Largest Ecosystem

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🖊 WHY IN NEWS

National Startup Day on January 16, 2026 marked the 10th anniversary of the Startup India initiative. PM Modi addressed the celebration, unveiling data showing India has become the world's third-largest startup ecosystem with 2,07,135 DPIIT-recognised startups and ~125 unicorns — a transformation from near-zero institutional support in 2016.

THE PROBLEM STARTUP INDIA WAS DESIGNED TO SOLVE

In 2015, India had strong entrepreneurial talent but weak institutional infrastructure for startups. Angel investing was taxed as income (the "angel tax" problem — Section 56(2)(viib) of Income Tax Act), compliance burdens were identical for startups and large corporations, R&D to market translation was minimal, and most venture capital flowed to the USA or Singapore.

India's global startup ranking in 2015: outside the top 10. China, Israel, the UK, and the USA had dedicated policy ecosystems. India's policy response — launched on **January 16, 2016** at Vigyan Bhavan, New Delhi — attempted to systematically address each bottleneck.

THE FIVE PILLARS OF STARTUP INDIA

1. Simplified Compliance and Self-Certification

Startups registered as DPIIT-recognised entities receive:

3-year income tax exemption on profits (under Section 80-IAC of IT Act)

Angel tax exemption — investments by registered alternative investment funds, VCs, or individuals (under Section 56(2)(viib)) exempt for recognised startups

80% reduction in patent filing fees; fast-track patent examination (5 years → priority examination)

Public procurement benefits — exemption from turnover and prior experience requirements for government procurement

Self-certification under 9 labour laws and 3 environmental laws for 3-5 years (no inspections unless court complaint)

2. Fund of Funds for Startups (FFS)

The Fund of Funds for Startups (FFS), managed by **SIDBI (Small Industries Development Bank of India)**, is a ₹10,000 crore government corpus that invests in SEBI-registered Alternative Investment Funds (AIFs), which in turn invest in startups.

As of January 2026: FFS has committed to **117 AIFs**, which have invested in **900+ startups**

Total investments supported: over **Rs 25,000 crore**

Structure: Government does not directly invest in startups — SIDBI backs AIFs which take the investment decisions (avoids government misallocation)

3. Startup India Seed Fund Scheme (SISFS)

Launched 2021; corpus: **Rs 945 crore**.

Provides seed funding of **up to Rs 20 lakh** (grants) and **up to Rs 50 lakh** (convertible debentures) to early-stage startups through recognised incubators

Target: 3,600 startups over 4 years (2021–2025)

4. Atal Innovation Mission (AIM)

Operated by NITI Aayog; the innovation infrastructure arm of Startup India:

Atal Tinkering Labs (ATLs): 10,000+ labs in schools; Rs 20 lakh each; teaching design thinking to students from Class VI–XII

Atal Incubation Centres (AICs): 100+ university/institution-based incubators; Rs 10 crore each

Atal Community Innovation Centres (ACICs): In Tier-3 towns and aspirational districts; Rs 2.5 crore each

5. Regulatory Sandbox

DPIIT and sector regulators (RBI, SEBI, IRDAI, TRAI) have established regulatory sandboxes allowing startups to test innovative products with real customers in a controlled environment before full licensing requirements apply.

THE NUMBERS AT 10

Metric	2016	2026
DPIIT-recognised startups	471	2,07,135
Unicorns (>$1 bn valuation)	0	~125
Direct jobs created	Negligible	21 lakh+
Domestic patents filed (annual)	~6,000	~35,000+
Global rank	Outside top 10	3rd (behind USA, China)
Annual new startups (2025)	—	~44,000 (record)

Sectoral distribution of unicorns (2026):

Fintech: ~25 unicorns (largest sector)

Software/SaaS: ~20

E-commerce/D2C: ~18

Edtech: ~8

Healthtech: ~7

Deep tech (AI/robotics/semiconductors): growing rapidly, ~5 unicorns

THE GEOGRAPHIC SHIFT: TIER-2/3 INDIA

One of the most significant shifts is geographic. In 2016, ~90% of startups were in Bengaluru, Delhi-NCR, and Mumbai. By 2026:

50%+ of DPIIT-recognised startups come from Tier-2 and Tier-3 cities

States with highest startup growth (2024-25): **Rajasthan, Gujarat, Telangana, Uttar Pradesh, Madhya Pradesh**

Reason: BharatNet broadband connectivity, expansion of digital payments (UPI), and rising smartphone penetration reducing Bengaluru's exclusive advantage

WOMEN FOUNDERS AND INCLUSION

45%+ of DPIIT-recognised startups have at least one woman director or woman partner

India = **2nd largest ecosystem for women-led startup funding** globally (after USA)

Government programmes: **Mahila Samriddhi Yojana** (SIDBI's women startup fund); Women Entrepreneurship Platform (WEP) under NITI Aayog

CRITICAL ASSESSMENT: WHAT HAS NOT BEEN ACHIEVED

The valuation correction problem: The 2022-23 global funding winter hit India's startup ecosystem hard. Many unicorns saw 40-60% valuation haircuts; some "unicorns" had to revise valuations below $1 billion. The list of ~125 unicorns includes some companies with severely impaired market positions.

The deep tech gap: Despite the IndiaAI Mission and semiconductor policy, India's unicorns remain concentrated in fintech, e-commerce, and SaaS — areas that build on existing technological infrastructure. Deep tech startups (semiconductors, robotics, quantum computing, biotech) that require 7-10 year development cycles and high capital are underrepresented.

Funding dependence on foreign capital: Despite the Fund of Funds, 60-70% of venture capital in Indian startups still comes from US and Singapore-based funds. This creates vulnerability to global risk-off cycles.

Exit ecosystem immaturity: India's startup exit options remain limited. IPOs are viable for only the largest companies; M&A exits to strategic acquirers are growing but remain below global norms. This constrains the recycling of founder capital back into the ecosystem.

Quality vs. quantity: 2,07,135 recognised startups is impressive — but DPIIT recognition requires only an application and a brief business description. Many recognised startups are effectively micro-enterprises or inactive. The number of startups that have completed Series A funding rounds (a measure of genuine scale validation) is a fraction of this.

THE NEXT 10 YEARS: POLICY IMPERATIVES

DeepTech Startup Policy 2024 — DPIIT's framework specifically for deep tech startups offers:

    Extended 7-year tax holiday

    Defence procurement priority for defence-tech startups

    IPR monetisation support

IndiaAI Mission: Rs 10,371 crore allocated; 10,000 GPUs for compute access to startups; building sovereign AI capability to compete with OpenAI, Google DeepMind

Semiconductor startup support: Semiconductor Mission allocation (Rs 76,000 crore); CHIPS Design Incentive Scheme offering 50% reimbursement on tool costs for fabless chip design startups

UPSC RELEVANCE

Startup India (Jan 16, 2016; DPIIT; 2,07,135; 3rd globally; 125 unicorns; 21 lakh jobs); Fund of Funds (SIDBI; Rs 10,000 cr; 117 AIFs); Startup India Seed Fund (Rs 945 cr; Rs 50 lakh max); Atal Innovation Mission/NITI Aayog (ATLs 10,000+; AICs 100+); Angel Tax exemption Section 56(2)(viib); Section 80-IAC (3-year tax holiday); National Startup Day (Jan 16); IndiaAI Mission (Rs 10,371 cr; 10,000 GPUs)

MAINS GS-3:

"Critically evaluate the performance of Startup India at 10 years — what has been achieved and what structural gaps remain?" | "How does India's startup ecosystem compare with China's state-directed and USA's market-driven innovation models?" | "What policy interventions are needed to shift India's startup ecosystem from services to deep tech?"

INTERVIEW:

"India has 125 unicorns but few global technology companies. Is the startup policy creating wealth or value? What's the difference?"

📌 **FACTS CORNER — KNOWLEDGEPEDIA**

STARTUP INDIA — CORE DATA (JANUARY 2026):

Launch: January 16, 2016; Vigyan Bhavan, New Delhi; PM Narendra Modi

National Startup Day: January 16 (declared officially)

DPIIT-recognised startups: 2,07,135

New startups in 2025: ~44,000 (record; +31% YoY)

Direct jobs: 21 lakh+

Unicorns: ~125; combined valuation >$350 billion

Global rank: 3rd (USA → China → India)

Women-led: 45%+ startups have at least one woman director/partner

Tier-2/3 cities: 50%+ of startups

Domestic patent filings growth: +425% (2014-2024)

KEY FINANCIAL SUPPORT SCHEMES:

Fund of Funds for Startups (FFS): Rs 10,000 crore corpus; managed by SIDBI; 117 AIFs backed; >Rs 25,000 crore investments

Startup India Seed Fund Scheme (SISFS): Rs 945 crore; grants up to Rs 20 lakh + debentures up to Rs 50 lakh

Tax: 3-year income tax holiday (Section 80-IAC); angel tax exemption (Section 56(2)(viib))

ATAL INNOVATION MISSION (NITI AAYOG):

Atal Tinkering Labs (ATLs): 10,000+ in schools; Rs 20 lakh each; Class VI–XII

Atal Incubation Centres (AICs): 100+; Rs 10 crore each; university-based

Atal Community Innovation Centres (ACICs): Tier-3/aspirational districts; Rs 2.5 crore each

INDIAAI MISSION:

Allocation: Rs 10,371 crore

GPUs: 10,000 units onboarded for democratised AI compute; 38,000+ GPUs total

Objective: Build sovereign AI capability; reduce dependence on foreign LLMs

REGULATORY SANDBOXES (SECTOR-WISE):

RBI: Fintech/payments sandbox

SEBI: Capital markets sandbox

IRDAI: Insurtech sandbox

TRAI: Telecom sandbox

ANGEL TAX (SECTION 56(2)(VIIB), IT ACT):

Taxes startup investments above fair market value as "income from other sources"

Recognised DPIIT startups exempt from angel tax since 2019

Landmark Budget 2024-25: Angel tax abolished entirely for all investors (not just startups)

Sources: Startup India Portal, DPIIT, PIB, SIDBI, NITI Aayog

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