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Role of startups in economic development of India

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Abstract

Startups have emerged as a major driver of economic development in both developed and developing economies. They stimulate innovation, generate employment, attract investments, and enhance competitiveness. This paper examines the role of startups in economic development with emphasis on job creation, technological progress, promotion of entrepreneurship, and contribution to GDP. Using secondary data from government reports, industry studies, and scholarly articles, the study analyzes how startup ecosystems contribute to sustainable economic growth. The findings reveal that startups accelerate economic transformation by increasing productivity, encouraging innovation, and creating inclusive growth opportunities. Suggestions are provided to strengthen the startup ecosystem for enhanced economic development.

Keywords: Startups, economic development, innovation

Introduction

Startups have become an important engine for economic transformation across the world. In the past decade, the rapid expansion of digital technologies, government support policies, and increased availability of venture capital have led to a flourishing startup ecosystem. Startups are small, innovative, and technology-driven ventures that introduce new products, services, and business models. Their flexibility, risk-taking ability, and innovation-oriented mindset make them crucial contributors to economic progress. In countries like India, initiatives such as Startup India, Digital India, and Make in India have created favorable conditions for new ventures to emerge. Startups provide solutions to local and global challenges in healthcare, fintech, education, agriculture, and logistics. They not only create direct employment but also support indirect job opportunities through outsourcing, supply chains, and service networks. This research paper explores how startups contribute to economic development and identifies the key factors that enhance their impact on the economy.

Objectives of the Study

1. To examine the contribution of startups to employment generation.
2. To analyze the role of startups in promoting innovation and technological development.
3. To study the impact of startups on GDP growth and economic diversification.
4. To assess government initiatives that support startup development.
5. To provide suggestions for strengthening the startup ecosystem for sustained economic development

Research Methodology

This study is based on secondary data collected from:

- Government reports (Startup India, DPIIT, NITI Aayog, Economic Survey)
- International publications (World Bank, OECD, UNCTAD reports)
- Research journals and academic articles
- Industry sources such as NASSCOM and startup ecosystem reports

The methodology includes descriptive analysis to understand trends, impacts, and contributions of startups to economic development. Data was analyzed qualitatively to derive meaningful insights related to the objectives.

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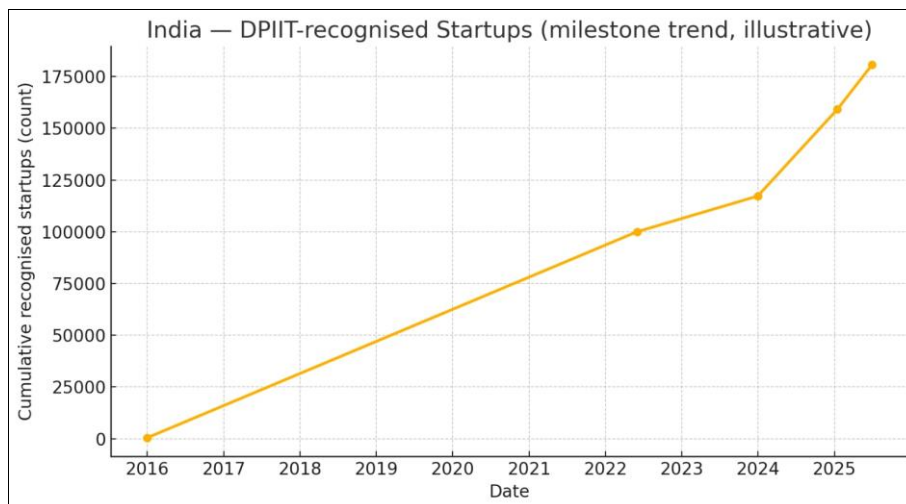


Fig 1: Current Status of Startups in India

Findings

1. **Contribution to Employment Generation** Startups have created millions of direct and indirect jobs, especially in sectors like IT, e-commerce, logistics, and fintech. In emerging economies, startups provide opportunities for youth and skilled graduates, reducing unemployment. Gig economy platforms (Uber, Swiggy, Zomato) have expanded flexible job opportunities.
2. **Promotion of Innovation and Technological Development** Startups introduce disruptive innovations in AI, fintech, ed-tech, health-tech, and agritech. They accelerate digital transformation by developing new technologies, mobile applications, and affordable service models. Collaboration between startups, universities, and industries has strengthened innovation ecosystems.
3. **Impact on GDP Growth and Economic Diversification** Startups contribute significantly to GDP by increasing productivity, output, and market competitiveness. They diversify the economy by developing new sectors such as digital payments, telemedicine, and online education. Startups attract domestic and foreign investments, increasing capital formation.
4. **Government Initiatives Supporting Startup Development** Initiatives such as Startup India, Fund of Funds, Startup Seed Fund Scheme, and Ease of Doing Business reforms have improved access to finance and support. Tax benefits, incubation support, and reduced regulatory hurdles have strengthened the startup ecosystem. State-level startup policies provide region-specific incentives for innovation and entrepreneurship.

Suggestions

1. **Strengthen Access to Finance:** Increase availability of venture capital, angel networks, and credit guarantee schemes for early-stage startups.
2. **Enhance Skill Development:** Provide entrepreneurship-focused training, digital skills, and managerial capabilities to youth.
3. **Improve Regulatory Environment:** Simplify compliance procedures and reduce bureaucratic barriers.
4. **Support Research and Innovation:** Encourage R&D investments, university-industry collaborations, and incubation centers.

5. **Promote Regional Startup Ecosystems:** Develop startup hubs in smaller towns and rural areas for balanced economic growth.

6. **Encourage Global Market Access:** Support startups in exporting digital services and participating in global value chains.

Conclusion

Startups play a vital role in driving economic development through innovation, job creation, and technological progress. They enhance competitiveness, diversify the economy, and contribute significantly to GDP. Government initiatives and a supportive entrepreneurial ecosystem have further accelerated the growth of startups. However, challenges related to financing, regulatory barriers, and skill gaps remain. Strengthening the startup ecosystem by improving access to funds, enhancing skills, and fostering innovation can ensure sustained economic development and make startups powerful engines of national growth.

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