

The Indian Startup Ecosystem: Structural Failures, Economic Displacement, and the Path to Policy Reform

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Abstract

Recently, the startup boom in India has been insane, and it continues to be referred to as a giant in terms of stimulating novelties, employment and economy. However, there is an underlying hype, that is a sense of weakness that makes several such companies fall. This paper goes into the study of Indian startup scene to find the actual causes of the failures and dig deeper beyond the company-level failures to the larger systemic and policy errors.

The study will point on the negative economic effects of startup growth, which has spread very quickly, diminishing the survival of small and traditional businesses and making it challenging to compete with them rather than stimulating inclusive economic development. Most Indian startups have little to offer in terms of innovation, they simply imitate the already existing models, with some little adaptations, and focus on acquiring customers at an expedited rate, not on creating a lasting value. That copycat strategy and a supply of short-term orientation of estimation and initial evacuations murder long-term sustainability and an economic advantage.

The paper also delves into the reasons why so many startups fail, the abundance of layoffs, and how the gig economy continues to grow, which has resulted in temporary employment and pushed the wages and job quality down. It notes that IPOs conducted at an early stage are driven by investors intending to exit fast rather than the business being prepared and this usually results in poor performance in the post-listing stage hence loss of investor confidence. It subsequently draws a comparison of startup-to-unicorn conversion rate in India and other economies in relation to both B2B and B2C and indicates that the problem on scaling and inefficiencies in governance is true to the extent.

Lastly, the research also emphasizes that much market research has less sources regarding the issues that are discussed in the paper, little knowledge of demand and government incentives which focus on quantity rather than quality. It demands policy reforms based on sustainable innovation, heavier regulatory regulation, and accountability at the ecosystem level in order that startups could indeed contribute to the long-term economic growth of India rather than only increasing short-term speculation.

Keywords: Indian Startup Ecosystem, Unicorn, Failure, Regulatory Environment, Gig Economy, Startup India, Sustainable Investment, Economic Displacement, Sustainable Economy, Policy Reform

JEL Codes: G0, G10, G18, G20, G24, G28

Introduction

Over the last ten years, the Indian startup ecosystem has undergone a fast growth, which has been driven by rising levels of digital adoption, good demographic factors and significant project investments. According to the Department for Promotion of Industry and Internal Trade (DPIIT), over 1.8 lakh startups have been recognised in India so far, and there were about 206,000 registered startups in the country, as of the middle of 2025, which shows a positive trend with respect to the growth of startups under programmes like Startup India.

However, weaknesses in structure and high rates of failure have softened the expected scale of change in the economy. According to Tracxn and institutional data analysis, 11,192 startups appear to have stopped operations in 2025 alone which is a substantial increase compared to previous years, which indicates that unfortunate survival is a serious problem. These closures are consistent with previous industry assessment operations that, following international trends, a massive percentage of startups fail within the first years of existence due to inappropriate product-market fit, poor unit economics, and inadequate innovation.

The unicorn's business still remains a major measure of success. India is positioned at the 3rd place among the global hubs of unicorns right after the United States and China with an expected figure of 120 unicorns in the year 2025 with 11 new unicorns. Still, amid the increase of one unicorn in 2011 to more than 70 in 2025, there is a high rate of attrition among the startups of early stages.

This discrepancy is caused by a few factors, which are related to one another. Many startups borrow business models which have low differentiation, thus, leading to a reduced competitive advantage in the long-term. Venture capitulating pressure to experience rapid scaling has often put more significant emphasis on quick expansion at the cost of hard fundamentals, leading to downsizing and employability practices. Though startups can create significant direct jobs, their impact on micro-, small-, and medium-enterprises (MSME) is quite heterogeneous, and the threat of displacement exists. Moreover, initial public offering (IPO) can increase liquidity but negatively affect long-term investment in innovation. Overall, the current research attempts to critically examine the patterns of failure, economic impacts, and policy implication so as to promote sustainable start-up development.

Review of Literature

Murti, A. B., & Dwivedi, R. (2024) examined the qualitative reports of the founders and investors to provide the framework of the four dimensions to perceive failure. Their results confirmed me that lack of capital and poor marketing strategies are the key triggers when it comes to the collapse of the Indian startups.

Patel, J., and Shah, N. (2021) explored the identified operational barriers and resource limitation that cause traditional MSMEs not to compete with technology-based startups. It gave me the empirical backdrop to my section on Economic Displacement in general since it demonstrated that the spontaneous growth of startups tended to cannibal the survival of the traditional businesses.

Sharma, K., and Mathur, H. P. (2022) amalgamated a novel meaning of startup sustainability which is the capability to continue to exist utilizing own monies rather than external investments. This strengthened my argument against the use of the high-burn model and my suggestion of the incentivization of actual revenue production.

Menon, R., and James, L. (2022) consulted the evolution of current valuation methods in moving founder emphasis to the exits, as opposed to long-term profitability. It coincided with my theory that the ecosystem is coexisting in a bubble of signaling and not financial principles.

Gupta, N., & Gupta, P. S., et al. (2025) evaluated the impact of entrepreneurship in India in the 21st century and found that there were severe discrepancies between the government policy on innovation and the real economic performance. It upheld my finding that incentives based on registration do not encourage real technological breakthrough.

Singh, P., and Singh, R. (2024) assessed the lifecycle of the Indian startups and their net contribution to job creation compared to the talent acquisition challenges that the jobs have encountered. It supported my claim about the fact that the startup boom has resulted in the creation of a weak labour market due to the quick hiring and frequent layoffs.

Misra, P. (2024) discussed how the gig economy has undermined the psychological contract between employers and employees based on transactional, not relational agreements. This supported my assertions about the psychological and economic cost of the platform economy of the Indian labour force.

Pollman, E. (2023) described the vulnerability to startup failure as a structural requirement of the venture capital model instead of an administration error. It has been the academic template of my Systemic Error section, which shows that the environment is configured to collapse in high frequency.

Gornall, L., & Strebulaev, I. V. (2020) showed that huge overvaluation of the so-called Unicorn company is the result of complex legal terms in funding rounds. This favored my position of transparency of valuation and the mandatory disclosure of unit economics as a preventative measure against funding bubbles.

Kenney, M., and Zysman, J. (2016) identified the concept of the Platform Economy, and its ability to reorganize world workforce by means of algorithmic regulation. This was associated with my discoveries of how Indian delivery and ride-hailing start-ups have managed to externalize operational risks to the workers.

McClelland, D. C. (1961) postulated that it is the need of achievement, which propels economic growth. I contrasted this archetypal entrepreneurial motivation with the contemporary short-term orientation of exit-driven founders in that they focus on short-term acquisition rather than permanent valuation.

Kortum and Lerner (2000) show that even though filing of the patent is a cause of the venture-capital financing to support rapid scaling, the huge capital invested is not necessarily associated with an original innovation. This empirical observation therefore confirms the argument that financial intensity and high technical substantive progress is often not aligned.

Cantamessa, M., et al. (2018) mapped various ways to fail, distinguishing the timing mistakes and the problems with the product-market fit. It fitted my goal to no longer focus on post-mortems on companies but conduct a more generalized environmental scanning of the startup environment.

Healy, J., et al. (2017) followed the background of the gig economy and the way it contributes to precarious by causing more jobs in the world. This was a basis to argue on why, despite the current trend in gig-work in India, counterarguments can be based on comparative data, which contributes to the broader and more damaging labour paradigm shift.

Agarwal, A. (2017) noticed the way venture capitalists operate as mentors and the conflict that arises between the financial ambitions of venture capitalists and the health of the operation of the startup. This had to do with my part concerning the goal of exit of investors and how it forced unsustainable patterns of growth.

Mahalakshmi, S., et al. (2024) examined the business environments in India, China, and the USA to identify structural shortcomings of the Indian one. It confirmed my demand of an outcome-based financing model that will elevate the Indian startups to the level of innovation in the world.

Khelil, N. (2016) came up with a taxonomy of failure that categorized entrepreneurs and based their categorization on both their psychological and economic backgrounds. This gave me the subtle prism with which I followed through to support custom policy interventions as opposed to blanket incentives.

Bocken, N. M. P. (2015) examined the possibility of venture capital to indeed spur a sustainable economy or just adding up to a one-off growth. It came in line with my finding that the traditionally funded state is an exit-driven type of nature whistleblower to the long-term inclusive development.

Lin, L. (2022) investigated the emergence of sustainable investment and the legal mandates of the so-called social impact funding. This directly served my ultimate recommendation of government start up incentives on the filing of patents and job security.

CB Insights (2021) studied the results of 111 post-mortem publications of startups and described the major factors that lead to the breakdown of business. The research supports the argument that inadequacy of market need is one of the systemic innovation failures and has shown that copycat models often do not resolve real local issues.

Startup Genome (2023) analyzed the trends of global ecosystem and the influence of the so-called funding winter on the survival rate of startups. The results provide the empirical evidence to support the argument that the Indian ecosystem is fragile due to the reliance on the high valuations, in the context of worldwide capital fluctuations.

Hurun Research Institute (2023) monitored billion-dollar privately owned businesses in the world and their distributions according to the regions. It used this data to highlight the high level of concentration of unicorns in Tier-1 cities, thus, making it easy to recommend a policy that would promote the balancing of ecosystems in regions.

CB Insights (2023) has created a list of 278 high-profile failures of startups that identified triggers of high-profile collapses. Their discussion supports the argument that high venture capital might hide factors that resulted in the existence of unit-economic vices until the organization attains a state of complete depletion.

Exploding Topics (2023) collected statistics of failure by industry and time frame worldwide. This data can be used to make the argument that 90% failure rate is a structural attribute of the current system, and cannot be attributed to a single managerial blunder.

PMC et. al. (2021) aimed at analyzing the performance of technology startups over the long term after the initial public offering (IPO). The review is consistent with the criticism that in India, early-stage IPOs are often driven by exit strategies of investors as opposed to the inherent preparedness of the enterprises.

NITI Aayog (2022) quantified and projected the size of the platform economy and the growth in the number of gig workers. These results can be directly related to the discussion of the informalization of the formal economy and the growing precarity of modern jobs in India.

International Labour Organization (ILO, 2021) gig workers were analyzed in terms of work conditions, as well as the systemic process of de-mutualization of risk. According to the research, the argument that startups have destroyed the quality of jobs and wages through passing operational costs on to individual employees is proven.

Economic Times (ET, 2023) the number of startup closures increased rapidly, which created a so-called startup winter. The analysis provides modern-day testament to the negative economic effects that result due to the pulling out of short-term capital.

Thousands of layoffs in the Indian technology industry (and specifically in EdTech) were recorded in Inc42 (2023). The data supports the idea that a sense of weakness is the root cause of the boom since high-burn models will result in large-scale job insecurity.

Social Science Research Network (SSSN, 2023) the external reasons of failure under consideration were regulatory barriers. The analysis helps to bring the company analysis to the detection of the problems in the system and policy shortcomings that are systemic.

IIM Kozhikode (2021) explored the high rates of failures in India as it focused on the lack of localization in business models. The results support the argument that the copycat strategy and its variations do not create long-term value.

Industrial Engineering and Operations Management Society International Society (IEOM, 2020) failure triggers during the lifecycle of startup were analyzed. The basis of their recommendation on Governance education as a necessary course would relate to their research whose findings indicate that founder inexperience is statistically significant as a factor antecedent of early failure.

Zanodo et. al. (2021) captured the impact of the use of venture capital-supported platforms in influencing the profit margins of traditional micro-, small-, and medium-enterprise (MSME)s. The evidence confirms the argument that small and old fashioned businesses have become unsustainable due to the rapid startup development.

Red Flower Publications Pvt Ltd (RFPL, 2022) tested the effectiveness of the current government incentives towards startups. The research justifies the suggestion to shift government rewards on registration-based rewards towards outcome-based rewards, including patent filings.

Journal of Emerging Technologies and Innovative Research (JETIR, 2022) took a gendered look at the situation of the gig economy concerning wage norms. The results support the thesis that the current labour market based on the start-ups undermines levels of inclusive economic growth.

Sri Ram College of Commerce (SRCC, 2022) examined how the startup boom is creating wealth widening in India on a larger basis. The paper supports such conclusion that the lack of regional balancing will continue to perpetrate national regional inequality in the ecosystem.

VV Giri National Labour Institute (2023) made a forecast of the future of gig work in India up to 2047. The short order briefs the advice to associate government incentives with job security, as well as with worker welfare.

International Journal of Innovative Science and Research Technology (IJISRT, 2024) analyzed the main internal and external factors contributing to a 90 0 -percent failure rate among Indian startups are explored. The research cites a combination of funding of winter and unsustainable business models as the driving factor, which confirms the claim that the ecosystem underwent a radical correction in 2023²⁴ based on a previously established growth-at-all-costs philosophy that ignored unit economics.

Lingaya (2020) assessed the instrumental purpose of business incubators in overcoming the knowledge gap or gap experienced by first-time entrepreneurs trying to materialize ideas into practicable commodities. The empirical data confirm the suggestion that mandatory learning of governance is necessary and shows a lack of experience in the past is one of the statistically significant obstacles to survival at an early stage.

Research Methodology

The present study adopts a mixed method research approach to examine the structural causes behind the failure of startups in India. The research is both descriptive and analytical in nature. The descriptive design is used to understand the evolution, growth and decline of startups in India, while the analytical design helps in identifying relationships between startup failures and factors such as market displacement of MSMEs, lack of innovation, short term investment orientation, early IPOs, gig economy dependence and policy gaps. The study relies exclusively on secondary data, making it suitable for macro level economic and policy analysis.

Time Frame of the Study

The study covers a period of fifteen years from 2011 to 2025. This time frame is selected to capture the emergence, expansion and correction phases of the Indian startup ecosystem. The period includes key milestones such as the rise of venture capital funding post 2014, the launch of the startup India initiative in 2016, the COVID 19 disruption, the surge in layoffs during 2022-2025 and the increasing trend of startup closures and early IPOs. Analyzing this extended period enables a comprehensive assessment of long-term trends rather than short term fluctuations.

Sources of Data Collection

The study is based entirely on secondary data collected from government, institutional and industry sources. Data on startup registrations, recognitions and closures are obtained from the Startup India portal and DPIIT. Information related to MSMEs performance, employment generation and sectoral output is sourced from the Ministry of MSME annual reports and publications of the reserve bank of India. Startup funding data, unicorn counts and failure statistics are collected from tracxn, CB Insights and Hurun India. Data on layoffs and labour market impacts are sourced from Inc42, CMIE, NITI Ayog and reports published by international labour organization. IPO related data is gathered from SEBI, NSE and BSE reports, while policy and regulatory insights are obtained from NITI Ayog, World Bank and OECD publications.

Comparative Framework

To strengthen the analysis, the study incorporates an international comparative framework by benchmarking India's startup ecosystem against selected countries such as United States, China, the United Kingdom. This comparison focuses on startup survival rates, innovation levels, unicorn conversion ratios, IPO maturity periods and policy support structures, thereby highlighting systematic weakness specific to the Indian startup ecosystem.

Techniques for Analysis

The study employs both quantitative and qualitative analytical tools. Descriptive statistical techniques such as percentages, averages and growth rates are used to analyze the trends in startup information, closures, employment generation and MSME performance. Ratio analysis is applied to examine startups to unicorn conversion rates, funding efficiency and IPO timings. Qualitative content analysis is used to interpret policy documents, competition authority reports and media coverage related to startup layoffs, monopoly formation and economic development.

Limitations of the Study

The study is subject to certain limitations. Since it relies on secondary data, informal startup failures and unregistered exists may not be fully captured. Variations across sectors and regions may also affect the generalizability of findings. Additionally, time lags between startup activity and economic displacement may limit precise casual attribution.

Data Analysis

Growth of Startups in India: Quantity over Quality

Between period of 2011 to 2025, the Indian startup ecosystem transformed into a niche entrepreneurial conglomeration to the third largest in the world. The official recognition boomed, with rates of less than 500 registered startups at the time of the initiative in the early 2010s and more than 100,000 by 2024, which was mostly sparked by the 2016 startup initiative, called Startup India. The ecosystem grew by 35-40 percent every year in the boom period, which was 2016 -2022. However, this growth was structurally densified, with consumer-facing businesses, including fintech, edtech, and e-commerce, taking the share of the total venture funding between 60% and 70%.

This type of sectoral consolidation produced systemic vulnerability in that homogenous business models can now quickly fail as the sources of capital constrict. Although the rates of startups failure are about 90 percent globally and seven years, India has dependency on external financing and slow profitability which increases

its vulnerability. Although India has had over 110 unicorns, the ratio of startups to unicorns in the country is significantly lower compared to the numbers in the United States or China.

This development trend has been concentrated in large metropolitan centres to focus on numbers rather than quality by valuing mass swiftly at the cost of deep innovativeness. The fact that fewer patents are filed also serves to highlight the fact that people by preference use existing international models instead of creating innovative technologies. In turn, the quantifiable growth of India does not correspond to the corresponding growth in the productivity and sustainable employment and results in the creation of an ecosystem that is vulnerable in terms of layoffs and market shutdown.

Layoffs and Employment Volatility in the Startup Ecosystem

Startup layoffs provide a structural indicator of weakness involved in the growth model that relies on ventures, which has been case in India. Global compressions in venture capital between 2022 and 2024 consist of a large-scale cost-rationalization of startup ecosystems, even in India ones, and estimates in the industry suggest that tens of thousands of startup workers were fired during this period, especially in the edutainment, e-commerce and mobility sectors. In the years after 2024, technology-projects layoffs globally exceed 200,000 employees with direct evidence of the link between funding cycle and the employment stability of high-growth, capital-intensive sectors.

This trend is supported by empirical evidence of the provided dataset. According to the datasheet, in 2025 alone, the number of layoffs recorded was over 6,641, over 27 layoff events were quantifiable, and the average headcount per event was almost 246. Some companies claimed about drastic employee cuts including several cases of 100 percent employment cuts, which are normally linked to closure. Company closures, restructuring, and cost-cutting, like the tendencies in the industry at large, of profitability re-alignment and efficiency impetus, were the leading causes.

Innovative sectors Because startup layoffs are generally associated with valuation changes, and investor opinion, unlike in traditional industries, layoff is more traditionally used as an indicator of both productivity and demand. B2C startups (that are consumer facing) were especially vulnerable because of highly discounted customer acquisition campaigns and cash burn approaches. With scarring of funds, most of the companies shifted quickly towards profitability-first policy hence initiating the process of laying of staff.

This job instability is a problem to the current conversation about startups as sources of stable and long-term jobs. Instead, employment is seeming to be cyclical and financing based. This change is further expounded by the growth of gig-based employment, which is expected to grow 20-25million gig employees by 2030, thus, heralding the construction of flexible but insecure jobs.

On a macro level, layoffs cause regional impacts on the economy of technology centers by reducing consumption and intensifying peripheral service industries. When put into perspective with the concept of

concentration in the aspect unicorn conversions, layoffs demonstrate the sign of labour instability on a systemic scale instead of one-off corporate restructuring, therefore, leading to the uncertainty of existence of the startup-based employment creation in India in the long-term.

Startup closure Rates and lack of longevity

Among the most prominent features of the Indian startup ecosystem is the presence of a high closure/ attrition rate. According to government disclosures and industry observers, thousands of startups died off in between 2018 and 2025 with a high percentage dying off within the first five-year period of operation showing that planning had not been properly made and an over-reliance on external funding was likely to lead to failure. The dataset evidence confirms this weakness. The layoffs document contains various shutdown-associated redundancies of the workforce, such as, in some cases, 100 per cent layoffs of employees, which signifies total terminations of the business instead of a temporary reorganization.

There are also variations in the trends of survival probability across sectors. B2C startups that deal with consumers have lower survival rates as compared to B2B companies and enterprise tech. This is in line with the analysis of conversion of the databases in which the United States (about 50 diasporas) and China (about 23 diasporas) have unicorn conversion shares that are much higher than India (about 4 diasporas). This is an indication that although a good number of startups are made, only a few have a success percentage. The business-to-business (B2B) software as a service (SaaS) and enterprise technological companies demonstrate a higher survival probability because of the predictable revenues and reduced reliance on the constant influx of external funding.

There are also high closure, whose reasons are connected to the lack of quality market research and the herding phenomenon where founders join saturated industries based on trends related to their financing, and not the actual need. The pressure of venture capital exit also causes premature scaling and early IPO attempts that cause extra financial pressure. Generally, the data supports the existing structural inequality within the ecosystem, in which few firms reap unequal amounts of capital, as most become insolvent or grow stagnant, and sustainable growth should be based on innovation directed towards sustainability.

Displacement of MSMEs and Market Recentralization and Monopoly Formation

The fast growth in platform-based startups has had disparate economic impacts, especially in the MSME sector of India that follows close to 30 per cent gross domestic product and creates almost more than 110 million human resources. Despite the increased access to consumers, efficiency in the logistics and financial inclusion associated with digital platforms, they have created structural competitive pressure on traditional small enterprises. Venture-capital subsidies often play to the advantage of platform startups, thus allowing the use of below-cost pricing strategies when capturing markets, a strategy which MSMEs with relatively small profit buffers and limited access to capital can not.

The data, based on empirical evidence points to the possibility of a growing market concentration. The startup ecosystem of India has a unicorn conversion rate of about 4% a significantly lower rate compared to similar ecosystems; this divergence suggests that the arbitrage of capital and scale is becoming increasingly concentrated in the hands of some few dominant companies. These kinds of concentration are consistent with the network effects of a platform: once a platform reaches a critical mass of users, the switching costs increase and entrap suppliers and consumers in same-side ecosystems. Thus, there is a case where economic worth is centralized instead of being widely dispersed.

In the case of MSMEs, this dynamic often results in platform dependency as opposed to independent market activity, a situation that undermines the pricing powers and a narrowing of supplier margins. Labour implications can also be observed: listings of MSMEs lead to the growth of the form of the gig economy, moving workers to less stable, but more flexible job opportunities.

Altogether, the unequal distribution of finance and an ineffective transformation into unicorn-status strengthen a structural imbalance where powerful startups will take most of the market. Without balanced policy interventions that facilitate the process of innovation and protection of the MSMEs, the expansion of the platforms will threaten to enhance the centralization of the market to the disadvantage of the inclusive development of entrepreneurship.

Conclusion

The findings of an empirical examination of the Indian startup ecosystem with the support of an extensive literature review and a systematic analysis of the extracted datasets show a structurally skewed evolution of the system since 2011 until 2025. Even though the pace of new startup formation has increased significantly, there are still negative signs regarding long term sustainability.

The dataset analysis will document 6,641 cases of separation of employees among 31 separate events with the average number per event being about 246 employees. The layoff events consisted of 1,000 workers at maximum thus indicating highly volatile employment. In addition to that, total redundancies were noticed in about 35 (11 of 31) cases, highlighting the fact that complete closure on the businesses, as opposed to the usual restructuring, is dominant.

Such findings are aligned with the existing literature that records high levels of the failure rates in early stages as well as high levels of capital dependency in young start up ecologies. The Indian conversion ratio between startup and unicorn is also at a low level of 4% which is quite lower compared to that of the United States (about 50) and China (about 23) with a conversion ratio. As such, although the rate at which entrepreneurship is generated is high, the creation of an economic value at large scale is significantly concentrated in small group of business ventures.

Related to the aspect of sectorial analysis, B2C start-ups have reduced chances of survival, which is explained by the high rates of cash burn and customer acquisition rate, based on discounts. There is also empirical support of this observation provided by layoff causation, which involves shutdowns (32 percentage, 10 out of 31) as the second most common occurrence, succeeded by restructuring and cost-cutting measures occasioned by profitability concerns.

Spillover effects that extend into the micro-enterprise, small and medium enterprise (MSME) operations and the labour market, are also indicated by integrated evidence. The influence of concentrated funds, the prevalence of the old platforms, and high network effects all serve to encourage market recentralization and undermine the chances of democratized entrepreneurship.

Overall, based on the study, higher levels of closure rates and systemic inefficiencies are to continue unless a stronger focus on the depth of innovation, capital discipline, and sustainable policy incentives is implemented.

Recommendations

The combination of the research in the literature review, analysis of the empirical data, and evidence of the data set can imply that the ecosystem of startups in India needs to shift towards volume-driven growth towards a sustainability-driven growth.

1. There is a need to change the policy of the registration of startups to the policies of survival. Objective A full shutdown -related layoffs revealed by data sets in several instances, thousands of closures documented between 2018 and 2025, and linkage at least 1015 percentage of all government incentives to a five-year survival benchmark, revenue stability, and patent production can improve ecosystem productivity.
2. There should be the introduction of structured pre-funding validation structures. With this high global failure rates (80 to 90 percent) and indicators of early shut-down trends in its datasets, mandatory product-market fit measures like a 40 percent customer retention rate after the initial round of funding, Series A, would minimize capital wastage and enhance capital efficiency.
3. It must enhance the level of innovation by advancing in-depth technologies and patent-based startups. Due to higher rates of unicorn conversion as observed in major economies, 125 to 30 percent of patent-based investment would enhance the potential effectiveness of scale-up and competitiveness in the long term.
4. Collaboration between MSMEs and startups on the basis of introduced mandates is required. Given that MSMEs are hiring more than 110million employees it might mean that forcing larger startups to procure 15-20% of their supply base through MSMEs will help to reduce displacement and ensure supply-chain inclusiveness.
5. There is need of employment stability mechanisms. The data on layoffs indicates that there is a concentration of layoffs and therefore necessitates workforce-based regulatory review and real time portal of layoff to tame the local consumption cycles in case there is a layoff of greater than 10 percent of the workforce.

6. Long term capital incentive must be emphasized. Scale Reduce premature failures to scale in traditional short-exit cycles by augmenting long- horizon funding (710 years) by 3050%.
7. The rules on eligibility of IPOs must include the pathways in profitability, three-year earnings stability, and foreseeable cash flows, which may decrease the initial post-IPO underperformance by an estimated 15%.
8. Lastly, environmental incentives can enhance quality in the ecosystem by relying on exports created, patents developed, and job permanence. The relocation of 50 percent of incentives to outcome-based metrics may yield a major positive impact on the sustainability of start-ups over the long term and inclusive economic contribution.

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