



START-UP ECOSYSTEM DEVELOPMENT IN INDIA WITH SPECIAL REFERENCE TO TAMIL NADU

C. GUNA SUNDARI

Assistant Professor in Economics, Sri Kumara Gurupara Swamigal Arts College, Srivaikuntam, Thoothukudi District, Tamilnadu, (Affiliated to Manonmaniam Sundaranar University, Tirunelveli). E-mail: gunapethu@gmail.com

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Abstract: India's start-up economy has grown exponentially over the last decade, driven by policy instruments at the national and state levels, deepening innovation capabilities, and maturing capital markets. As of July 25, 2025, India had ~1.81 lakh DPIIT-identified startups (1,80,683) showing reliable growth since 2016. In this national context, Tamil Nadu has become a Best Performer in the States' Startup Ranking (2022 edition), powered by robust sectoral strengths in auto and electronic manufacturing, SaaS, and deep-tech efforts like the i-Tamil Nadu Technology (iTNT) Hub. This paper reviews India's start-up evolution with emphasis on Tamil Nadu, combining secondary data from government archives and policy reports, and offering a framework—5Cs (Capital, Capability, Connections, Compliance, Culture)—for evaluating ecosystem maturity. We address policy architecture, financing and incubation infrastructure, inclusion programs, spatial diffusion outside metro hubs, and current challenges. The paper concludes with actionable suggestions for state and national stakeholders and suggests an evaluation dashboard for longitudinal monitoring.

Keywords: India start-ups; Tamil Nadu; Startup TN; TANSIM; iTNT Hub; States' Startup Ranking; DPIIT; innovation policy; entrepreneurship; MSMEs; deep tech; SaaS.

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1. INTRODUCTION

India's startup ecosystem has shifted since the introduction of Startup India (2016). Formality through the Department for Promotion of Industry and Internal Trade (DPIIT) provides entitlement to fiscal benefits (e.g., Section 80-IAC), public procurement levers, and ecosystem services. The number of DPIIT-approved startups increased from ~500 in 2016 to 1,80,683 as on July 25, 2025. While metropolitan centers like Bengaluru, Delhi-NCR, and Mumbai remain the pillars of venture creation and capital inflows, a few manufacturing-focused and tech-related states have gained speed. Of these, Tamil Nadu is ranked high for the combination of cutting-edge manufacturing clusters (Chennai–Sriperumbudur–Hosur), successful SaaS businesses (Chennai corridor), and a strategic policy drive through the city's Startup and Innovation Mission (TANSIM/StartupTN) and the Startup & Innovation Policy 2023.

This research responds to two goals:

- (1) What are the key drivers of India's start-up ecosystem scale-up after 2016?
- (2) How does the ecosystem architecture and performance of Tamil Nadu compare in India, and what targeted interventions can support inclusive, innovation-led growth?

1.1. Contribution

We synthesize national and state evidence and offer the 5Cs diagnostic to guide policy and journal reviewers. Where feasible, we offer current figures and official sources appropriate for Scopus-indexed outlets.

1.2. Literature and Policy Context

Start-up ecosystems research in emerging markets focuses on the co-evolution of institutions, capital, and talent. In India, policy research focuses on the functions of regulatory sandboxes, procurement reforms, and fiscal incentives in minimizing early-stage frictions. DPIIT States' Startup Ranking provides a comparative perspective on state capabilities (funding, market access, incubation support, governance). Tamil Nadu's Startup & Innovation Policy

(2023) redefines support in terms of democratisation of entrepreneurship, procurement facilitation, and inclusion. Deep-tech enablement via the iTNT Hub (a Union–State–industry collaborative partnership at Anna University) is a classic example of AI/ML, space-tech, and computing startups verticalised infrastructure.

1.3. Methods

This article adopts a systematic secondary-data synthesis with descriptive analysis.

1.4. Sources

DPIIT Startup India factbooks and dashboards; States' Startup Ranking 2022 documentation; Tamil Nadu policy notes; public releases on StartupTN/TANSIM; and official websites.

1.5. Period covered

The study cover the following period as the study period 2016–July 2025.

1.6. Analytical frame

5Cs Framework—Capital, Capability, Connections, Compliance, Culture—mapping policy/programme tools to ecosystem results. We supplement this with case-led vignettes (deep tech and SaaS) and spatial comments on diffusion to Tier-2/3 cities (e.g., Trichy, Thanjavur).

1.7. Limitations

Disaggregated state-level funding counts: availability and consistency; survivorship bias in headline startup counts; lag in official data; divergent definitional thresholds among sources.

2. INDIA'S START-UP JOURNEY (2016–2025)

2.1. Scale and Visibility

DPIIT-identified startups grew from ~500 (2016) to 1,80,683 (July 25, 2025). [1]

Women participation has been reinforced; as of Oct 31, 2024, 73,151 recognised startups had at least one woman administrator. [2]

2.2 Policy Instruments

Fiscal: Profit-linked income-tax relief (any three consecutive years in ten) under Section 80-IAC; inter-ministerial fund-of-funds and SIDBI credit; state top-ups and matching grants. [10]

Regulatory & Market Access: Priority sector sandboxes; ease of government procurement for startups at the Union and state levels; mentoring and patent facilitation.

2.3. Spatial Dispersion & Inclusion

Formation of Tier-2/3 nodes as a result of digital public infrastructure, mentorship networks, and state missions; increase in women-led startups outside metros reported in several districts. [2]

Table 2.1: Landmark Policy Milestones (2016–2025)

Year	India (Union)	Tamil Nadu (State)
2016	Startup India launched: DPIIT recognition begins	State-level startup policy groundwork
2017–2019	Fund-of-Funds scale-up; tax and IP support	Early StartupTN/TANSIM programmes, incubation expansion
2020–2022	Regulatory sandboxes; expansion beyond metros	iTNT announced; district outreach ramps up; TN climbs to Best Performer in 2022 ranking
2023	Policy revamp; continued procurement reforms	Startup & Innovation Policy 2023 notified; iTNT inaugurated
2024–2025	80-IAC revamp; DPIIT approvals continue	TNGSS platform; inclusion funds; Technology Transfer Facilitation Centre at iTNT (2025)

Source: DPIIT Recognition.

3. TAMIL NADU: A SPECIAL REFERENCE CASE

3.1. Policy Architecture

Institutional anchor: Tamil Nadu Startup and Innovation Mission (TANSIM/Startup TN)—MSME Department; nodal agency for incubation, acceleration, market access, and funding. [4, 9]

Policy: Startup & Innovation Policy 2023–2028 formulates objectives for democratised entrepreneurship, procurement facilitation, sectoral thrusts, and inclusion (women, trans entrepreneurs, rural founders). [7]

Deep-tech infrastructure: i-Tamil Nadu Technology (iTNT) Hub at Anna University, a Union–State–industry collaboration committed to deep-tech problem-solving; a Technology Transfer Facilitation Centre was launched in July 2025 to drive commercialisation. [6]

3.2. Ecosystem Positioning

DPIIT States' Startup Ranking 2022: Tamil Nadu ranked among Best Performers (top tier). [3]

Strengths in sectors: Automotive/EV components, electronics, logistics, textiles, agritech, and globally competitive SaaS corridor (Chennai). Presence of large product tech companies enhances talent flow and mentorship.

3.3. Programmes and Instruments (Selected)

Finance: Seed and grant schemes through StartupTN; co-investment and challenge grants; specific inclusion funds for women and under-represented entrepreneurs. [4, 9]

Market Access: Relaxations in procurement (e.g., departments/PSUs can utilize services of TANSIM-registered startups for conditionality-linked low-value procurements) and pilot procurements. [5]

Building Capability: Startup literacy, sectoral cohorts, IP support, and scale-up camps.

Flagship Platforms: Tamil Nadu Global Startup Summit (TNGSS) bringing founders, investors, and corporates together. [4]

3.4. Spatial Diffusion and Inclusion

Emergence pockets outside Chennai in Trichy and Thanjavur, with significant growth of women-led enterprises (2021–2025) and forays into VR/AR/IoT and agri value addition. StartupTN district reach and mentorship networks assist this diffusion. [4]

Findings through the 5Cs Framework

C1. Capital: Observation: Greater availability of early grants and co-investment signals; private capital for deep-tech remains relatively thin.

Implication for TN: Increase state-supported co-investment vehicles with private LPs; create deep-tech seed + prototype fund; deepen connections with regional family offices.

C2. Capability: Observation: Deep university presence (Anna University, IIT-Madras proximity) and established accelerators; require scale-up assistance (go-to-market, internationalisation).

Implication for TN: Develop export-readiness programmes for SaaS/ industrial tech; integrate GTM playbooks; tap diaspora mentors.

C3. Connections: Observation: Corporate–startup partnerships in automotive/EV and electronics supply chains; iTNT enables deep-tech connections.

Implication for TN: Institutionalise anchor firm problem statements; scale open-innovation challenges to textiles, logistics, and agri-processing.

C4. Compliance: Observation: Single-window advice and ease of procurement relaxations have decreased friction, but founders continue to cite procedural inconsistency between departments.

Implication for TN: Enshrine a Startup Procurement Code with time-limited pilots and template standardisation; establish a dispute-light review cell for startups in government tenders.

C5. Culture: Observation: Visible role models (SaaS entrepreneurs), live meetups, and district outreach have enhanced entrepreneurial intention; risk capital and tolerance for failure can be further enhanced.

Implication for TN: Founder fellowships sponsored by the state; second-time founder programmes; narrative of district success stories.

Table 3.1. 5Cs Diagnostic for Tamil Nadu (2025)

<i>Pillar</i>	<i>Strengths</i>	<i>Gaps</i>	<i>Priority Actions</i>
Capital	Grants/ co-investment; active angels	Thin deep-tech capital	Seed + Proto fund; sidecars
Capability	Strong universities/ incubators	GTM & scale expertise	Globalisation tracks
Connections	Auto/EV & electronics anchors; iTNT	Wider SME integration	Venture clienting
Compliance	Procurement relaxations	Variability in practice	Startup Procurement Code
Culture	Role models; district outreach	Risk tolerance	Fellowships; storytelling

Source: State-wise startup incentives in India, 2025.

3.5. Case Vignettes (Indicative)

1. SaaS Corridor—Chennai: Engineering college talent feeders; PLG playbooks; global listings and scale-ups illustrate avenues for product firms.
2. Deep Tech—iTNT Hub: Joint Union–State–industry infrastructure in AI/ML, space-tech and related areas; the new Technology Transfer Facilitation Centre enhances commercialisation channels. [6]
3. Inclusive Entrepreneurship—Cauvery Delta: Women-led start-ups in Trichy/Thanjavur venturing into VR/AR/IoT and agri-cosmetics; facilitated by StartupTN mentorship and grants. [4]

Sector-Specific Strengths

- Tamil Nadu ranks 3rd in India for deeptech startups
- Over \$184 million raised in space, defense, and hardware sectors
- Focus on AI, robotics, semiconductors, and advanced manufacturing Sectoral Diversity
- Agriculture & Agritech: Second-largest contributor after IT/SaaS
- Manufacturing, mobility, climate solutions, spacetech
- Patent Leadership: 7,686 patents filed in FY23 (17% of India's total)

3.6. Policy Gaps and Challenges

- Risk capital access for hardware/deep-tech (capital intensity, longer gestation).
- Commercialisation channels from lab to market, including prototyping infrastructure and demand aggregation.
- Regulatory certainty for new tech (AI testing, drones, space payloads) and easier inter-departmental coordination.
- Depth of talent in product management, enterprise sales, and design.
- Data gaps at the district level on startup routine; open, high-frequency dashboards.

4. RECOMMENDATIONS

For Government of Tamil Nadu / Startup TN

1. Deep-tech Seed + Proto Fund: Rs 300–500 crore blended investment with milestone-based tranches; tie disbursements to TRL milestones.
2. Public Procurement Flywheel: 100 “startup problems” defy each year; require pilot-to-scale pathways; release win–loss and feedback data.
3. Globalisation Track for SaaS/Industrial Tech: Soft-landing in 3 markets (SEA, MEA, EU) with export credit, compliance toolkits, and partner networks.
4. District Free enterprise Fellows 2.0: Scale founder-in-residence positions outside metros; match with local industry bodies.
5. Data Transparency: Live StartupTN Open Dashboard recording recognitions, sectors, employment, procurement pilots, IP, and survivorship.

For Union / DPIIT and Allied Agencies

1. Targeted 80-IAC Communication: Active eligibility advice and pre-clearance; sync with angel-tax clarity. [10]
2. Fund-of-Funds 2.0: Sidecar for hardware/deep-tech with patient capital (10–12 year lifetime) and prototyping grants.
3. Regulatory Sandboxes: Scale and federate in AI, health-tech, and mobility; state mission interoperable.

For Ecosystem Actors

1. Corporate Innovators: Organized venture-client programs in EV, electronics, and logistics.
2. Universities: Shared IP/commercialization offices; revenue-sharing templates; capstone-to-startup pipelines.
3. Investors: District scouting and pre-seed studios; inclusion lenses (women, trans, rural founders) with tailored support.

5. CONCLUSION

India’s start-up environment has achieved important scale and is increasingly diffusing across Tier-1 cities. Tamil Nadu demonstrates how intentional policy,

sectoral depth, and institutional anchors (StartupTN/TANSIM, iTNT) can spur inclusive revolution. Supporting progress will need targeted deep-tech financing, procurement channels, export enablement, and open data. The 5Cs framework and an open dashboard provide a realistic monitoring toolkit for policymakers and researchers.

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