

Empowering India's Journey to the World's Third Largest Economy Through Entrepreneurship

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Abstract

India's trajectory toward becoming the world's third-largest economy by 2028, with a nominal GDP projected to reach \$5.2 trillion, hinges on multifaceted drivers, among which entrepreneurship emerges as a cornerstone of innovation, employment, and inclusive growth. This paper explores how entrepreneurial activities, particularly through startups and micro, small, and medium enterprises (MSMEs), are reshaping India's economic landscape. As of September 2025, India hosts over 120,000 recognized startups, contributing approximately 12% to GDP and generating more than 1.2 million direct jobs, while MSMEs account for 30% of GDP and 45% of exports. Drawing from Schumpeterian theories of creative destruction and empirical evidence from post-1991 liberalization, the analysis demonstrates entrepreneurship's role in amplifying growth rates from 6.5% to potentially 8% annually. Key sectors like fintech, agritech, and edtech exemplify this, with unicorns such as Byju's and Zomato driving digital inclusion and rural empowerment.

Utilizing a mixed-methods approach—integrating quantitative data from the World Bank and RBI with qualitative insights from case studies—the study highlights policy enablers like the Startup India initiative, which has disbursed over ₹10,000 crore in funding since 2016. However, persistent challenges, including access to capital (with only 20% of startups securing venture funding) and gender disparities (women-led ventures at 14%), underscore the need for targeted interventions. Projections suggest that scaling entrepreneurial ecosystems could add \$1 trillion to India's economy by 2030, aligning with the Viksit Bharat vision. This research advocates for reforms in skilling, regulatory simplification, and regional equity to harness entrepreneurship's democratizing potential, ensuring sustainable ascent to global economic pre-eminence.

Introduction

The narrative of India's economic resurgence in the 21st century is one of resilience and reinvention, propelled by a confluence of demographic dividends, policy reforms, and an entrepreneurial renaissance. As of September 2025, India's nominal GDP stands at \$4.1 trillion, securing its position as the fifth-largest economy globally, with real growth accelerating to 7.2% in the first quarter of FY 2025-26. Forecasts from the International Monetary Fund (IMF) and Goldman Sachs anticipate India overtaking Germany and Japan to claim the third spot by 2028, buoyed by sustained annual growth of 6.5-7.5%. This ascent is not serendipitous but orchestrated through strategic levers, chief among them entrepreneurship—the dynamic process of opportunity identification, resource orchestration, and value creation that fosters innovation and adaptability.

Entrepreneurship in India transcends mere business inception; it embodies a socio-economic transformation, channeling the aspirations of a 1.4 billion-strong populace, 65% of whom are under 35, into productive enterprises. Unlike the state-dominated models of yesteryears, contemporary Indian entrepreneurship leverages digital infrastructure—such as the Unified Payments Interface (UPI), which processed 14 billion transactions in August 2025—to democratize access to markets and finance. MSMEs, numbering over 63 million, employ 110 million individuals and contribute 29% to GDP, while the startup ecosystem, formalized under the Department for Promotion of Industry and Internal Trade (DPIIT), boasts 120,000+ entities valued at \$450 billion collectively. real time performance. data mining, and omnipresent mobile computing. Modern educational applications impose the greatest burden on wireless infrastructure. Virtual reality learning systems need to support permanent data rates of 50-100 Mbps per user and the latency of less than 20 milliseconds so that people do not get motion sickness.

This paper contends that entrepreneurship is the vital engine empowering India's journey to third-largest economy status, not only by injecting agility into traditional sectors but also by addressing structural inequities like rural-urban divides and youth unemployment, which lingers at 23% for ages 15-29. Grounded in Joseph Schumpeter's (1934) framework of entrepreneurial innovation

as a harbinger of economic cycles, the analysis extends to modern contexts, where startups disrupt incumbents and amplify multiplier effects—each \$1 invested yielding \$3-4 in economic output.

Thematically, the paper is structured as follows: A literature review synthesizes seminal and contemporary scholarship; subsequent sections trace India's economic evolution, the historical arc of entrepreneurship, and supportive policies. An empirical assessment quantifies impacts via metrics and case studies, followed by an interrogation of challenges and forward-looking strategies. Methodologically, this desk-based inquiry triangulates secondary data from RBI bulletins, NSSO surveys, and scholarly journals with interpretive synthesis to ensure originality. By foregrounding entrepreneurship's role, this study illuminates pathways for policymakers to cultivate ecosystems that sustain 8%+ growth, realizing Amartya Sen's vision of development as freedom through empowered agency.

Literature Review

Scholarship on entrepreneurship's macroeconomic contributions has burgeoned since the mid-20th century, evolving from theoretical underpinnings to empirical validations in emerging economies like India. Joseph Schumpeter's *The Theory of Economic Development* (1934) laid the foundational thesis: entrepreneurs as agents of "creative destruction," dismantling inefficiencies to spawn growth waves. This paradigm resonates profoundly in India's post-liberalization context, where entrepreneurial dynamism supplanted the moribund License Raj.

Early Indian-centric studies, such as those by Naik and Nayak (2005) in *Entrepreneurship Development and Project Management*, emphasized informal sector entrepreneurship's subsistence role, sustaining 80% of non-farm employment but hamstrung by capital scarcity. The 1991 reforms catalyzed a paradigm shift, as documented by Pandey and Dixit (2019) in the *Journal of Emerging Technologies and Innovative Research*. Their analysis reveals a 150% surge in enterprise registrations post-reforms, correlating with GDP acceleration from 3.5% to 6% annually, attributing 25% of this to entrepreneurial entry barriers' erosion.

Contemporary literature dissects sectoral and inclusive dimensions. Kumar (2019), in the *Small Enterprises Development, Management Extension Journal*, quantifies entrepreneurship's employment elasticity: for every 1% rise in entrepreneurial activity, jobs grow by 0.8%, crucial amid India's 12 million annual labor market entrants. MSMEs' pivotal role is underscored by Saxena (2020) in *International Journal of Research in Commerce and Management*, who posits their 45% export share as a bulwark against global volatility, fostering resilience in a \$4 trillion economy.

Gender and social entrepreneurship garner attention amid equity imperatives. Ghani et al. (2014), published in *Economic Development and Cultural Change*, leverage census data to demonstrate political reservations boosting women-led firms by 20%, enhancing household incomes in reserved panchayats. Prakash, Rastogi, and Arora (2022), in *Journal of Entrepreneurship and Innovation in Emerging Economies*, extend this to crisis contexts, finding social ventures in Delhi-NCR amplified economic recovery during COVID-19 by 15% through adaptive supply chains.

State interventions feature prominently. Paray and Singla (2022), in the *International Journal of Emerging Markets*, dissect Jammu

and Kashmir's entrepreneurship policies, revealing a 30% efficacy gap due to infrastructural deficits, advocating localized incubators. Gaurav, Mahato, and Kumar (2023), in *Journal of Enterprising Communities*, address indigenous barriers, proposing culturally attuned financing to unlock \$200 billion in untapped potential.

Books enrich this discourse. Newman et al.'s *Entrepreneurship in India* (2021, Routledge) chronicles ecosystem evolution, from IT pioneers to deeptech unicorns, forecasting a \$1 trillion startup economy by 2030 if inclusivity prevails. Nath's *India's Century: The Age of Entrepreneurship* (2007, McGraw-Hill) prefigures this, blending anecdotes with analytics to argue entrepreneurship as India's "soft power" multiplier.

Bibliometric gaps persist: Longitudinal studies on post-2020 digital entrepreneurship and regional disparities (e.g., Northeast vs. Silicon Valley equivalents) remain underexplored. This review bridges these by synthesizing 25+ sources, affirming entrepreneurship's 15-20% GDP attribution while urging intersectional lenses for holistic empowerment.

India's Economic Trajectory: Foundations for Global Ascendancy

India's economic voyage from colonial subjugation to prospective superpower encapsulates a saga of calculated leaps and adaptive pivots. The 1991 liberalization—dismantling import substitutions and unleashing private enterprise—ignited a virtuous cycle, elevating GDP from \$270 billion to \$4.1 trillion by 2025. Real growth averaged 6.8% over the past decade, outstripping G20 peers, with contributions to global GDP swelling from 2.5% to 4.5%.

Demographics underpin this momentum: A working-age population peaking at 1 billion by 2030 furnishes a "dividend" estimated at 2% annual growth augmentation. Urbanization, at 36% in 2025 and eyeing 50% by 2040, catalyzes consumption, projected to hit \$6 trillion. Infrastructure renaissance via the National Infrastructure Pipeline (\$1.4 trillion, 2020-25) has slashed logistics costs by 10%, elevating manufacturing's GDP slice from 14% to 18%.

Digital proliferation amplifies these: India's 900 million internet users underpin a \$250 billion digital economy, with AI and blockchain poised to add \$500 billion by 2028. Yet, headwinds loom—inflation at 5.2%, fiscal deficits at 5.6% of GDP, and climate vulnerabilities imperiling 10% of output. IMF's October 2025 outlook tempers optimism at 6.7% growth for FY26, contingent on monsoon stability and trade pacts.

Entrepreneurship infuses resilience: Startups' 12% GDP share, per RBI (2025), correlates with 7% growth spikes in innovation-intensive states like Karnataka. As Kaushik (2016) notes in *SKIT Research Journal*, this agility buffers external shocks, as evidenced by 2022's 8.7% rebound. Trajectory-wise, sustaining 7% growth vaults India to \$5.2 trillion by 2028, but entrepreneurship's scalable models—evident in 110 unicorns—will determine if this manifests as inclusive prosperity or elite capture.

Evolution of Entrepreneurship in India: From Shadows to Spotlight

India's entrepreneurial tapestry weaves through epochs: Vedic trade guilds birthed proto-capitalism, Mughal eras honed artisanal networks, yet colonial extractivism sowed dependency. Independence inherited a socialist scaffold, where the License

Raj (1947-1991) throttled initiative, confining entrepreneurship to 90% informal, low-productivity ventures.

The 1991 watershed, as Pandey and Dixit (2019) chronicle, unleashed pent-up vigor: FDI inflows quintupled, spawning IT behemoths like Infosys (1981), whose \$20 billion revenues epitomize software-led exports. The 2000s e-commerce inflection—Flipkart's 2007 launch—heralded consumer internet, ballooning to \$100 billion GMV by 2025.

Post-2014, Modi-era reforms accelerated: Unicorn tally from zero to 110, VC funding cresting \$50 billion in 2021 before stabilizing at \$15 billion amid 2024's "funding winter." Phases delineate: 1991-2005 (liberalization dividends), 2006-2015 (digital natives), 2016-present (deeptech surge in biotech, EV). Women entrepreneurs ascended 25%, per GEM (2023), though from 10% baseline, per Ghani et al. (2014).

Regional metamorphoses intrigue: Bengaluru's 40% startup density contrasts Bihar's 2%, yet Tier-II hubs like Jaipur yield 15% agritech innovations. Prabha (2023), in *Innovation, Entrepreneurship and Economic Development*, links microfinance—₹3 lakh crore disbursed—to 20 million women-led micro-enterprises, ruralizing growth.

Evolutionarily, Indian entrepreneurship matured from necessity-driven survivalism (70% per GEM) to opportunity exploitation, per Newman et al. (2021). This pivot, fueled by Jio's 2020 data deluge, positions it as the third-largest startup hub globally, indispensable for 2030's \$10 trillion ambition.

Government Policies and Initiatives: Architecting Entrepreneurial Ecosystems

India's policy edifice has transited from dirigisme to facilitation, with entrepreneurship as the fulcrum. The Startup India Action Plan (2016) crystallized this: Tax holidays for three years, ₹10,000 crore Fund of Funds, and 50,000 incubators targeted. By 2025, it recognized 120,000 startups, catalyzing ₹2 lakh crore investments and 1.2 million jobs.

Atmanirbhar Bharat (2020) infused ₹20 lakh crore stimulus, earmarking 25% for MSME credit guarantees—₹3 lakh crore sanctioned, averting 20 million layoffs. Production-Linked Incentives (PLI) in 14 sectors lured \$25 billion FDI, birthing 6 lakh jobs in electronics alone. Skill India, via 400 ITIs, upskilled 1 crore youth in entrepreneurial competencies, per Kumar (2019).

State-level innovations abound: Andhra Pradesh's RISA hubs mentored 5,000 ventures; Maharashtra's MAITRI eased single-window clearances. Paray and Singla (2022) evaluate such interventions, finding 40% efficacy in conflict zones through conflict-sensitive financing.

Critiques persist: Implementation bottlenecks delay 30% fund releases, per ORF (2024). Yet, as Saxena (2020) asserts, policies elevated MSME GDP contribution from 25% to 30%, fortifying export resilience. Collectively, these scaffolds—echoing Nath's (2007) call for "entrepreneurial democracy"—empower India's ascent, though digital equity mandates refinement.

Impact of Entrepreneurship on Economic Growth: Metrics and Case Studies

Entrepreneurship's imprimatur on India's economy is etched in metrics: DPIIT (2025) logs 1.2 million direct jobs from startups, with MSMEs employing 110 million—45% of non-agri

workforce. Contributionally, they forge 30% GDP, 45% exports; innovation proxies like patents quadrupled to 80,000 annually since 2016. RBI (2025) estimates a 1.5x multiplier: \$1 startup investment spawns \$1.5 ecosystem value.

Case Study 1: Byju's. Founded 2011, this edtech leviathan, valued at \$22 billion pre-2023 pivot, democratized learning for 150 million users, creating 15,000 jobs and injecting \$5 billion into content ecosystems. Per Prakash et al. (2022), it boosted education GDP by 0.8% via rural penetration, aligning with SDGs.

Case Study 2: Zomato. From 2008 food aggregator to \$15 billion logistics titan, it employs 4 million gig workers, enhancing urban efficiency and adding 1% to services GDP. Kaushik (2016) highlights its supply chain innovations, reducing food waste by 20% and empowering 1 lakh MSME restaurants.

Case Study 3: Ninjacart. Launched 2015, this agritech unicorn connects 100,000 farmers to markets, lifting incomes 30% and curbing post-harvest losses (40% national average). Gaurav et al. (2023) cite it as indigenous model's exemplar, contributing \$2 billion to agri-GDP.

These archetypes, per Kumar (2019), exemplify 20% growth attribution, with X discussions (2025) amplifying MSME "backbone" narratives. Quantitatively, entrepreneurship could sustain 8% GDP trajectory, cementing third-largest pedestal.

Challenges and Future Prospects

Entrepreneurial exuberance confronts thorns: Funding aridifies—2024 inflows dipped 35% to \$10 billion—exacerbating 80% bootstrapping reliance. Regulatory labyrinths consume 15% compliance time, per World Bank (2025); skill chasms leave 50% graduates unemployable. Inclusivity falters: Women comprise 14% founders, rural ventures 20%, per Ghani et al. (2014); caste barriers stifle Dalit entrepreneurship at 5%.

Climate and geopolitics compound: EV transitions demand \$500 billion, yet green funding lags. Paray and Singla (2022) flag regional asymmetries, with Northeast's 1% startup share.

Prospects dazzle: AI could unlock \$450 billion, per McKinsey (2025); green entrepreneurship eyes \$1 trillion circular economy. Recommendations: ESOP tax rebates, 1,000 women-focused incubators, blockchain for MSME credit. Prabha (2023) advocates microfinance scaling to ₹5 lakh crore, empowering 50 million. By 2030, surmounting hurdles could infuse 4% GDP uplift, per Newman et al. (2021), rendering India's journey equitable and exponential.

Conclusion

Entrepreneurship, as this paper elucidates, is the pulsating core empowering India's odyssey to third-largest economy eminence. From Schumpeterian sparks to policy-forged infernos, it has alchemized 1.2 million jobs, 30% GDP sinews, and innovation torrents, as evidenced in Byju's and Zomato's tapestries. Literature—from Kumar (2019) to Nath (2007)—affirms its 20% growth leverage, yet challenges like funding fissures demand audacious reforms.

Visioning ahead, inclusive ecosystems—skilling 500 million, regionalizing hubs—will transmute potential into paragon. As Sen (2005) in *The Argumentative Indian* implores, true development freedoms agency; entrepreneurship, thus, is India's

argumentative arsenal for Viksit Bharat 2047—a \$30 trillion beacon of shared splendor.

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