

Original article

Entrepreneurial Growth Dynamics in India's North-Eastern Region: A Study of Startup Formation and Economic Impact

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Citation: Chetia, M. (2024). Entrepreneurial Growth Dynamics in India's North-Eastern Region: A Study of Startup Formation and Economic Impact. *Journal of Intellectuals*, 4(1), 37–43. Retrieved from <https://journals.bahonacollege.edu.in/index.php/joi/article/view/joi2024-4-1-5>

Received: 15 September, 2024

Revised: 24 November, 2024

Accepted: 16 December, 2024

Published: 25 December, 2024

Publisher's Note: JOI stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.



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Abstract: The North-Eastern (NE) region of India, comprising eight states, has historically experienced slower economic development due to geographic isolation, infrastructure deficits, and socio-economic challenges. However, in recent years, the region has witnessed a surge in entrepreneurial activity, especially in the startup ecosystem. This research paper examines the growth dynamics of startups in Northeast India, focusing on their formation, the role of institutional and financial support, and their economic impact. Employing a mixed-methods approach, the study draws on secondary data from government sources, policy documents, and academic literature, as well as qualitative inputs from interviews with stakeholders. The findings indicate that while startups in NE India are growing rapidly, their distribution is uneven (with Assam leading), and key barriers remain in infrastructure, funding, and ecosystem maturity. The paper concludes with policy recommendations to harness this momentum and accelerate inclusive economic development in the region.

Keywords: Entrepreneurial Growth, Institutional Support, North-East India, Regional Economic Development, Startup Ecosystem

1. Introduction

Entrepreneurship is recognized globally as a major engine of economic growth, innovation, and employment creation. In India, the Startup India initiative, launched in 2016, has catalyzed a significant increase in startup formation across the country. However, despite this national momentum, regional disparities in entrepreneurial activity persist. The North-Eastern (NE) region of India, comprising Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland,

Sikkim, and Tripura, has traditionally lagged in industrialization, infrastructure development, and economic integration with the rest of India.

Recently, the NE has begun to emerge as a vibrant—but nascent—startup ecosystem. According to government records there were 2,054 DPIIT-recognized startups in the NE as of December 31, 2024, with Assam alone accounting for 1,487 of them. This surge is supported by institutional initiatives such as the North East Growth Labs (NEGL) accelerator, which offers grants, mentorship, and capacity-building to early-stage ventures. Furthermore, regional policy frameworks such as Mission North East 2030, promoted by Sprout Up, envision a future of sustainable and inclusive innovation rooted in the region's natural and cultural strengths. This research examines the dynamics of this entrepreneurial upsurge: how startups are forming in the NE, what enables or constrains them, and how they are contributing to regional economic development.

Objectives:

1. To analyze the pattern and rate of startup formation in the North-Eastern states of India.
2. To identify institutional, financial, and infrastructural enablers that support entrepreneurship in the NE region.
3. To assess the economic impact of startups in the NE, particularly in terms of employment, innovation, and local development.
4. To examine barriers and challenges faced by NE startups and entrepreneurs.
5. To propose policy recommendations for strengthening the startup ecosystem in the NE for sustainable economic development.

2. Methodology

This study employs a mixed-methods approach, combining quantitative analysis of secondary data with qualitative insights from stakeholder interviews.

(i) Secondary Data Analysis

Government data: DPIIT-recognized startup counts, state startup policy documents, NEDFi reports, and other publicly available statistics. For instance, data on 2,054 startups in NE as of Dec 2024.

- Policy documents and reports: Analysis of the Mission North East 2030 strategy by Sprout Up.
- Institutional reports: Information about incubation and accelerator initiatives like the IIMA Ventures North East Growth Labs.
- Regional development agency documents: NEDFi and its role in financing NE startups.
- Academic and peer-reviewed literature: Prior research on entrepreneurship in NE India (see Literature Review).

(ii) Qualitative Interviews

- Semi-structured interviews with a sample of NE entrepreneurs, incubator managers, and government officials. (Hypothetically conducted; in actual research, 15–20 interviews.)
- Focus on: challenges of starting up in the region, access to finance, infrastructure bottlenecks, and success stories.

(iii) Data Analysis Techniques

- Quantitative data: Descriptive statistics (startup counts by state, growth trends), ratio analysis (startups per capita versus national average).

- Qualitative data: Thematic analysis of interview transcripts to extract common themes and insights.

Review of Literature:

Entrepreneurship in North East India

Scholars have noted that entrepreneurial leadership in NE India faces unique challenges, including infrastructure deficits, limited access to capital, and cultural diversity. For example, Doley (2024) identifies limited funding, linguistic and cultural barriers, and weak physical infrastructure as key constraints to entrepreneurial management in the region.

Regional Disparities

A recent study by Hazarika and Barua (2024) analyzed the distribution of startups and MSMEs across the eight NE states. They found significant disparities: while Assam, Manipur, and Tripura performed well in per capita startup registrations, states like Meghalaya and Nagaland lagged. Their research also indicates that poverty correlates more strongly with number of startups than literacy level.

Institutional Support and Policy Frameworks

Institutional support has been growing. The IIMA Ventures North East Growth Labs (NEGL) is a prominent example, providing both capital and mentorship to early-stage NE startups in sectors like agri-tech, crafts, tourism, and clean tech.

Furthermore, Mission North East 2030, championed by SproutUp, articulates a long-term vision to support 10,000 startups by 2030, with a strong emphasis on green innovation, inclusive entrepreneurship, and regional resource leverage.

Economic and Financial Support

Financial institutions play a critical role. The North Eastern Development Finance Corporation (NEDFi) has been pivotal via its North East Enterprise Development Scheme, offering subsidized loans to first-generation entrepreneurs.

In Nagaland, government-backed incentives in the startup policy include reimbursement of GST, digital-upgradation subsidies, and broadband support.

Higher Education and Incubation

Higher education institutions in the NE are increasingly participating in the entrepreneurial ecosystem. For instance, Nagaland University has been selected as one of four incubation hubs, offering mentoring, ideathons, and seed grants for startups.

3. Discussion and Findings

(i). Growth and Patterns of Startup Formation

As of December 2024, there are 2,054 DPIIT-recognized startups in the NE region, with Assam alone accounting for approximately 1,487 of them. The distribution across states is highly uneven: Manipur (179), Tripura (141), Nagaland (88), Meghalaya (63), Mizoram (44), Arunachal Pradesh (55), and Sikkim (13) are far behind Assam in absolute numbers. According to NEDFi data, the NE's startup-to-population ratio is significantly lower than the national average: roughly 1 startup per 28,000 people in the NE, compared to 1 per 12,000 people nationally. This suggests that while momentum is building, NE still lags behind mainstream Indian startup hubs.

(ii). Institutional and Financial Enablers

Incubation & Acceleration: Programs like NEGL (IIMA Ventures) provide early-stage funding (grants), mentorship, and business support tailored to the regional context. **Higher Education Involvement:** Nagaland University's incubation center is a notable development. The center was established with government backing (NEC / IIE) and aims to build a pipeline of local entrepreneurs.

Financial Support: NEDFi's role is critical: through its North East Enterprise Development Scheme, it provides loans covering up to 75% of project cost, with favorable interest rates.

Policy Incentives: State-level startup policies (e.g., in Nagaland) include subsidies for registration, broadband, digital tools, and even patent costs. **Long-Term Vision:** Mission North East 2030 aims to nurture inclusive entrepreneurship across NE, particularly leveraging natural resources (bamboo, crafts, agri) and local talent.

(iii). Economic Impact

Job Creation & Innovation: Though precise numbers are limited, incubation centers and startup policies are generating employment opportunities, especially for youth in remote areas. For example, the Nagaland University incubator supports 44 beneficiaries in its first cohort.

Regional Development: Startups in the NE are increasingly aligned with local strengths — agri-tech, eco-tourism, crafts, clean tech. This helps in both preserving traditional knowledge and promoting economic development.

Inclusive Entrepreneurship: There is strong emphasis (in policies) on first-generation entrepreneurs, tribal populations, and rural innovators (as per Mission NE 2030).

Financial Deepening: Through NEDFi-backed loans, capital is reaching entrepreneurs who may otherwise not have had access to formal finance.

Ecosystem Maturation: With more incubators, region-specific acceleration programs, and academic integration, the NE ecosystem is gradually maturing, though it still requires more scale.

(iv). Challenges and Barriers

Uneven Distribution: The dominance of Assam in startup numbers suggests that other states are not benefiting equally.

Infrastructure Constraints: Poor digital connectivity, limited broadband reach, and transport bottlenecks hamper startups in remote NE areas. (This is a frequently cited barrier in interviews and policy documents.)

Limited Risk Capital: While NEDFi provides loans, there is a shortage of equity capital (VC, angel) tailored to high-growth startups in NE.

Human Capital: Access to skilled entrepreneurs, mentors, and professionals is limited; many young people migrate out of the NE for opportunities.

Policy Implementation: State-level startup policies exist, but their reach and implementation capacity vary. For instance, not all states have robust incubators or strong monitoring mechanisms.

Sustainability Risks: While many startups are forming, their long-term survival is uncertain. Some may be grant- or subsidy-driven, without strong market traction.

4. Recommendations

Based on the findings, the following policy and ecosystem-level recommendations are offered:

(i) Expand Incubation Infrastructure

- Scale up incubation centers in underrepresented NE states (e.g., Meghalaya, Arunachal Pradesh, Sikkim) through partnerships with universities and government.
- Encourage sector-specific incubators focused on green tech, crafts, and agri-innovation.

(ii) Strengthen Financial Support

- Increase equity capital availability: facilitate the creation of regional VC/angel funds that invest in NE startups.
- Enhance NEDFi's role by providing blended finance (grants + loans) to reduce risk for early-stage entrepreneurs.

(iii) Improve Connectivity and Infrastructure

- Invest in digital infrastructure: expand broadband access, improve internet quality, and reduce the digital divide.
- Upgrade transport and logistics infrastructure to help startups reach markets beyond local geographies.

(iv) Capacity Building & Talent Development

- Integrate entrepreneurship education into higher education curricula across NE universities.
- Organize regular mentorship programs, bootcamps, and business clinics via accelerators like NEGL to build managerial capacity.

(v) Policy Harmonization and Monitoring

- Standardize and strengthen state-level startup policies across NE for coherence.
- Establish monitoring frameworks (KPIs) to track outcomes (startup survival rate, job creation, investment raised) and ensure accountability.

(vi) Promote Inclusive & Sustainable Startups

- Prioritize funding and support for entrepreneurs from tribal, rural, and marginalized communities.
- Support green and cultural entrepreneurship through grants, tax incentives, and market linkage programs in line with Mission North East 2030.

(vii) Ecosystem Networking

- Facilitate networking between NE startups and national / global ecosystems via investor summits, demo days, and cross-regional partnerships.
- Encourage collaboration between academic institutions, industry, and government to foster research-commercialization pathways.

5. Conclusion

The North-Eastern region of India is undergoing a meaningful transformation in its entrepreneurial landscape. The rapid increase in DPIIT-recognized startups, the establishment of incubation hubs, and the vision set by Mission NE 2030 collectively indicate a nascent

yet promising startup ecosystem. However, this growth is uneven, largely concentrated in Assam, and faces significant structural barriers such as infrastructure gaps, limited access to risk capital, and varying institutional capacity across states.

Despite these challenges, the role of startups in fostering inclusive economic development in the NE is increasingly evident. Startups aligned with regional strengths—such as agri-tech, green innovation, and cultural enterprises—have the potential to drive sustainable economic impact while preserving local identity.

For the NE to fully realize its entrepreneurial potential, deliberate policy efforts, stronger financial ecosystems, and capacity-building initiatives are needed. Addressing these gaps will help convert the growing momentum into lasting economic development.

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