

Study of the Function of Startup, Incubators, And Accelerators in Promoting Economic Growth of a New Business

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ABSTRACT

The entrepreneurial ecosystem has emerged as a critical driver of economic development. Startups, incubators, and accelerators collectively play an important role in shaping new business trajectories and success. Startups bring innovation, introducing disruptive products, services, and creative business models that create jobs, stimulate competition, and enhance productivity in the market. Incubators provide structured support such as mentorship, infrastructure, funding access, and networking, which help reduce risks and foster the stabilization of new businesses. Accelerators further support them with programmatic interventions that emphasize rapid scaling of business, improve market access, and investment readiness, enabling ventures to achieve sustainable growth and competitiveness.

This study uses a qualitative research design and is based on secondary data collected from academic literature, policy documents, government reports, and case studies. The descriptive method is applied to systematically analyze and explain the roles and functions of startups, incubators, and accelerators in supporting entrepreneurial activity and economic growth. The analysis demonstrates that startups, incubators, and accelerators, both individually and synergistically, help strengthen entrepreneurial skills by enhancing innovation potential, improving access to finance, fostering skill development, and supporting growth in different regions and sectors.

The findings also suggest that the integrated role of startups, incubators, and accelerators extends beyond the success of individual enterprises to contribute to national economic resilience. By promoting sustainability, encouraging diversification, and enhancing global competitiveness, they ensure long-term economic stability. The study highlights the significance of robust government policy frameworks and institutional mechanisms are very important to strengthen entrepreneurial ecosystems, thereby maximizing their developmental impact.

Keywords: Startups, incubators, accelerators, economic growth, and entrepreneurship development.

1. INTRODUCTION

I.STARTUPS: A startup is a new small business started by more than one entrepreneur. It aims to find and grow a scalable business (with the possibility of rapid growth and innovation) and to create a unique product or service that has demand in the market.

II.INCUBATORS: Incubators help us develop new ideas and turn them into a business model during the early stages in a stable and supportive environment. Their duration is usually about a year, but sometimes it can be longer. They support in making products and also provide basic facilities like networking, office space, expert guidance, and sometimes even financial help.

III.ACCELERATORS: Accelerators help already established and partly developed startups to grow quickly and expand in the market. In return, they take some equity. Their duration is usually 3 to 6 months. They support startups by connecting them with industry experts and investors, offering structured programs, and providing opportunities like demo days.

IV.ECONOMIC GROWTH: In a country's economy, when the production and quality of goods and services continuously increase over time, it results in better economic well-being of people and improvement in their standard of living.

V.ENTREPRENEURSHIP DEVELOPMENT: It is a process that helps in establishing skills, self-confidence, and knowledge that are necessary to start, grow, and successfully run a new business. It consists of studying the market, finding new ideas or needs, making plans, and growing the ability to establish a business. It also involves creating products or services and building a sustainable enterprise to generate a profit. This process supports economic growth, job creation, and new ideas.

2. REVIEW OF LITERATURE

Shukla, B., Sharma, A. R., & Joshi, M. (2015) This research studies how Business Incubators (BIs) support startup success and act as an alternative funding source for small ventures. It highlights challenges in BI models, the need for better regulations, skilled managers, and mentoring. Interviews show that BIs have a positive impact on the growth and success of startups.

Pratibha, S. (2019) Business incubation helps new and small businesses develop by giving space, mentorship, and resources at minimal cost during their early stages. Startups benefit from shared facilities, expert advice, and financial backing. After graduating, they expand in the market, create jobs, and boost economic growth. This paper studies India's top 20 incubators.

Chaudhary, M., & Sardana, R. (2025) This paper examines how startups, including Flipkart, Zomato, Ola, and Byju's, promote India's economic growth through jobs, innovation, and GDP contribution. It also describes how incubators support startups with space, funding, and guidance. After graduation, startups expand, create jobs, and boost development. It examines the reviews of India's top 20 incubators.

Sejwal, K., & Sharma, R. (2025) This study examines how the rise of enterprise incubators shapes state GDP in India. Using government data and analysis, it finds that states with more incubators show more effective economic growth. Incubators improve entrepreneurship, jobs, and new ideas. The research highlights the government's key role in expanding incubation towards India's economic progress.

Vincent, V.Z., & Zakkariya, K.A. (2021) Technology startups face many challenges, from business awareness to legal issues. This study shows that business incubation services help startups overcome these obstacles and improve performance. Survey data confirms incubation has a positive impact. It suggests incubator managers should customize their support to meet the specific needs of startups for better results.

Isher, A. K., & Gangwar, V. P. (2024) This research studies how Business Incubators help Agri-tech startups succeed. Using information from startups and government sources, it shows that incubators boost job generation, access to funding, mentorship, and legal support. Agri-tech startups play an important role in India's economic growth, supported by Startup India and rising venture capital investments, highlighting their new ideas' potential.

Dubey, N. (2022) This study explains that incubators and accelerators help startups succeed by providing support similar to funding, mentorship, legal advice, and networking. Agri-tech startups, aided by programs like Startup India, create jobs and develop economic growth. Access to resources and investment is important to new ideas and rapid business growth.

Gupta, P., & Raghuvanshi, A. (2024) This paper examines India's expanding startup ecosystem, improved by innovation, technology, government support, and funding. Since the 2016 Startup India campaign, over 50,000 startups have emerged, creating jobs and opportunities. The research examines the possibilities, gaps, and challenges startups face in highlighting their effect on youth employment and economic growth.

Banerjee, R. (2025) This study examines the role of Business Incubation Centers (BICs) in helping entrepreneurship and nurturing new startups in India. Incubators provide mentorship, infrastructure, financial backing, and training, fostering new ideas and an entrepreneurial mindset. Using generally secondary information, the study highlights government initiatives such as Startup India and Atal Incubation Mission in promoting startups and nurturing future entrepreneurs.

3. OBJECTIVES

1. To analyze the role of startups in fostering innovation, employment generation, and competitiveness that contribute to the economic growth of new businesses.
2. To examine the functions and support mechanisms of incubators in nurturing entrepreneurial ideas through mentorship, infrastructure, funding access, and networking.
3. To evaluate the role of accelerators in scaling up early-stage ventures by providing structured programs, investment opportunities, and market linkages.
4. To assess the overall impact of startups, incubators, and accelerators on the sustainability, growth, and long-term success of new businesses in the economy.

4. RESEARCH METHODOLOGY

This study looks at how startups, incubators, and accelerators help in promoting the economic growth of new businesses. It uses a **qualitative research approach** using **secondary data** from books, articles, government reports, industry publications, and previous academic studies were analyzed to understand how incubation and acceleration processes support entrepreneurship, innovation, and job creation. A **descriptive research method** was employed to explain and show patterns, trends, and relationships connection between startups, incubators, accelerators, and economic growth. This method helped us understand an in-depth exploration how support mechanisms from these organizations, like mentoring, funding, and training, improves business performance and contributes to job creation, innovation, supporting entrepreneurship and overall economic development.

5. RESULTS AND DISCUSSIONS

5.1. The role of startups in fostering innovation, employment generation, and competitiveness that contribute to the economic growth of new businesses.

1. Startups as Drivers of Innovation

Unique Ideas, Products, and Services: Startups develop unique products and services that address unmet market needs, creating new opportunities and enhancing consumer choice.

- **Leveraging Technology and Creative Business Models:** They adopt digital tools, AI, IoT, and innovative business strategies to improve efficiency and reduce costs.
- **Case Example: BYJU'S in Education:** BYJU'S uses interactive learning apps and personalized education programs, transforming the education sector through technology-driven solutions.
- **Impact on Market and Industry Modernization:** Innovations by startups stimulate demand, influence industry practices, and encourage established businesses to modernize their operations.

2. Employment Generation

- **Job Creation:** Startups provide employment opportunities in the field of e-commerce, IT, logistics, and services sectors through expanding their direct contribution to employment generation.
- **Employment Opportunities:** They generate jobs in supply chains, partnerships, and service support roles, indirectly boosting employment in related sectors.
- **Youth and Skill Development:** Startups provide opportunities for young professionals to gain experience, upskill, and engage in entrepreneurial activities.
- **Case Example: Zomato and Swiggy:** Foodtech startups like Zomato and Swiggy help in supporting the delivery staff and vendors, and thousands of people by giving them job opportunities for their contribution to economic growth.

3. Enhancing Competitiveness

- **Market Efficiency and Quality Improvement:** Startups offer high-quality products and services at an effective cost, which helps consumers improve their choices and also increases the market standards.
- **Encouraging Traditional Businesses to Innovate:** The presence of startups pushes established firms to modernize operations and adopt new technologies.
- **Case Example: Razorpay and Paytm:** Fintech startups enhance digital payments, increase financial inclusion, and promote efficient business transactions.

- **Contribution to a Dynamic Business Environment:** Startups create a competitive ecosystem that fosters innovation, efficiency, and continual improvement across sectors.

4. Contribution to Economic Growth

- **Attracting Investments:** Startups draw domestic and foreign investment, fueling financial resources for business expansion and regional development.
- **Supporting Entrepreneurial Ecosystems:** They promote the growth of incubators, accelerators, and mentorship networks, strengthening the entrepreneurial landscape.
- **Promoting Regional Development:** Urban tech hubs like Bengaluru and Hyderabad become centers for innovation-led growth and employment generation.
- **Sustainable Economic Development:** By fostering innovation, employment, and competitiveness, startups contribute to long-term economic stability and growth.

5.2. The functions and support mechanisms of incubators in nurturing entrepreneurial ideas through mentorship, infrastructure, funding access, and networking.

1. Mentorship Support

- **Business Concept Refinement:** Incubators guide entrepreneurs in refining and validating their early business ideas to align with market requirements and practically implement.
- **Skill Enhancement and Capacity Building:** Incubators improve entrepreneurs' managerial, technical, and strategic skills through structured workshops and training sessions necessary for effective business operations.
- **Strategic and Operational Advisory:** Incubators connect entrepreneurs with domain experts and mentors who guide decision-making, risk mitigation, scalability, and handle operational challenges.

- **Psychological and Motivational Support:** Mentors guide and encourage entrepreneurs with moral and motivational support to face uncertainties and maintain resilience in the initial phases of business development.

2. Infrastructure Support

- **Physical Workspaces and Facilities:** Incubators provide startups with cheap and convenient office spaces, meeting rooms, and collaborative environments to concentrate on core business activities.
- **Technological Resources:** Startups are provided with modern tools, software, and digital platforms that enhance productivity, support innovation, and improve competitiveness in the market.
- **Research and Product Development Facilities:** Incubators provide startups with labs and testing centers to develop, validate, and improve products before commercialization.
- **Auxiliary Support Services:** Incubators help new businesses to provide legal, financial, human resource, and marketing support, ensuring regulatory compliance and operational efficiency.

2. Funding Access

- **Seed Funding Provision:** Incubators provide early-stage financial support so that startups can facilitate product development, prototype creation, and start early operational activities, which reduces early financial risks.
- **Access to Investors and Venture Capital:** Incubators connect new businesses with angel investors, venture capitalists, and diverse funding platforms, facilitating resource mobilization for business growth and scaling.
- **Governmental Grants and Policy Assistance:** Incubators guide startups to apply for government funding schemes, policy incentives, and subsidies to strengthen financial stability and support business expansion.
- **Financial Advisory and Planning:** They guide startups in Structured guidance on budgeting, financial planning, and investment strategy so for efficient utilization of resources and improved investor readiness of businesses.

3. Networking and Collaboration

- **Industry and Expert Linkages:** Incubators connect startups with industry leaders and domain experts, helping them gain market understanding, strategic partnerships, and business development opportunities.
- **Entrepreneurial Peer Networks:** They encourage startups to interact with peer-to-peer learning, knowledge sharing, and collaboration, building a supportive entrepreneurial ecosystem.
- **Academic and Research Collaborations:** Incubators link startups with universities and research centres to support innovation, technological advancement, and R&D activities.
- **Market Access and Investor Exposure:** Through Networking events, pitch sessions, and demonstration sessions, incubators provide startups with chances to meet investors, potential clients, and distribution channels, helping them with commercialization and growth.

5.3. The role of accelerators in scaling up early-stage ventures by providing structured programs, investment opportunities, and market linkages.

1. Structured Programs

- **Curriculum Design and Implementation:** The programs are planned with progressive modules covering strategic planning, operational management, and growth trajectories help startups develop a coherent and actionable business framework.
- **Operational Process Optimization:** Accelerators guide startups in streamlining workflows, resource allocation, and process integration to improve efficiency and reduce operational delays or inefficiencies.
- **Business Model Refinement:** Accelerators are guided to analyze, adapt, and optimize business models in alignment with dynamic market conditions and long-term growth goals.

- **Performance Monitoring and Feedback:** Periodic assessments and feedback mechanisms help startups ensure continuous improvement, accountability, and strategic alignment of early-stage businesses towards their growth trajectories.

2. Investment Opportunities

- **Linking with Investors:** Accelerators connect startups with angel investors, venture capitalists, and other funding agencies who may be interested in supporting them.
- **Strong pitch presentations:** Startups are coached by entrepreneurs on how to present their ideas clearly and confidently to potential investors through training in fundraising, enhancing investment readiness.
- **Access to Seed Funding:** Many accelerators provide small initial funds (seed money) or help secure grants so startups can test and validate, and scale their business models.
- **Financial Management Support:** Startups receive guidance on budgeting, cost control, and long-term financial planning to use funds and resources effectively.

3. Market Linkages

- **Finding Customers:** Accelerators guide startups in understanding market demand and connect them with potential buyers, enhancing market responsiveness.
- **Building Industry Connections:** Startups get access to suppliers, distributors, and industry experts who can help them improve their products or services and business expansion.
- **Expanding into New Markets:** Accelerators support ventures in exploring scalable growth in local, national, and even international markets.
- **Networking Events and Exhibitions:** By participating in events, fairs, and exhibitions, startups with opportunities to showcase their products, attract partners, and increase brand visibility.

5.4. The overall impact of startups, incubators, and accelerators on the sustainability, growth, and long-term success of new businesses in the economy.

1. Contribution to Sustainable Business Practices

- **Integration of Sustainable Strategies:** Businesses are guided to adopt strategies that ensure resource efficiency, reduced environmental impact, and social accountability, helping them in a balanced and ecologically sustainable business development.
- **Long-Term Operational Planning:** Support systems help startups develop scalable business models with a focus on continuity, resilience, and reduced vulnerability to market fluctuations.
- **Adoption of Green Technologies:** New businesses are encouraged to use advanced green technologies that improve operational efficiency and support sustainability objectives.
- **Risk Mitigation for Sustainability:** Mentors guide businesses to anticipate challenges and integrate risk management practices for the long-term viability of ventures.

2. Enhancement of Growth Trajectories

- **Market Expansion Facilitation:** Startups are provided frameworks to identify and access new market opportunities, support sustained business growth, and diversification.
- **Operational Efficiency Improvement:** Incubators and accelerators guide optimized workflows, resource allocation, and performance monitoring to improve overall operational efficiency.
- **Strategic Scaling Support:** Mentorship and structured programs help businesses to scale their business models systematically, maintaining strategic coherence and aligning with market dynamics.
- **Financial Growth Enablement:** Startups get access to funding, investment channels, and financial advisory mechanisms, which help them increase capital inflow and resource mobilization for expansion.

3. Strengthening Entrepreneurial Ecosystems

- **Knowledge Exchange Networks:** startups learn from peers, mentors, and industry experts through structured programs, strengthening entrepreneurial competencies.
- **Innovation Promotion:** Continuous guidance helps businesses to adopt new technologies and modern business practices, enhancing competitiveness and adaptability.
- **Collaborative Ventures:** Partnerships between startups, academic institutions, and industry build networking and teamwork, strengthen ecosystem synergy, and foster co-creation and innovation-driven collaboration.
- **Mentorship and Advisory Integration:** Business advice and mentoring improve overall ecosystem capacity and support business sustainability and long-term scalability.

4. Long-Term Economic Impact

- **Employment Generation and Skills Development:** Startups contribute to workforce expansion, skill enhancement, and provide knowledge-based employment opportunities.
- **Investment Attraction and Capital Formation:** Incubators and accelerators help attract both domestic and foreign investment, improving entrepreneurial finance and stability.
- **Regional and Sectoral Development:** Concentrated entrepreneurial support promotes local economic growth, innovation hubs, and sectoral competitiveness.
- **Contribution to National Economic Resilience:** Startups enhance national resilience by sustainable growth, market diversification, and operational excellence, supporting long-term economic stability.

CONCLUSION

Startups play a crucial role in economic growth by fostering innovation, generating employment, enhancing competitiveness, and supporting sustainable business ecosystems. Their collective impact strengthens new enterprises, encourages modernization, and drives regional and national development. Incubators play a key role in nurturing new businesses through structured mentorship, infrastructural support, access to funding, and

network mechanisms. They reduce risks, encourage innovation, support scalability, and significantly contribute to the sustainable development and long-term success of new enterprises within the broader economy.

Accelerators help the systematic growth of new startups by providing structured programs, financial access, and strategic market linkages. They offer funding, connect startups with investors, and help reach new customers, providing investment channels. Accelerators contribute to the operational sustainability, scalability, and competitiveness of startups, benefiting the individual businesses, strengthening the entrepreneurial ecosystem, and supporting long-term economic development. Startups, incubators, and accelerators work together to promote the sustainability, growth, and support the long-term success of new businesses. Their efforts enhance operational efficiency, decision-making, financial stability, and the overall ecosystem, collectively contributing to resilient entrepreneurial growth and national economic development.

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