

Structural and Economic Foundations of Startup Scalability: India and the UAE in Comparative Perspective

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ABSTRACT

Startup ecosystems do not develop in the same way across countries. Market size, consumer spending, labour conditions, and regulation all shape how startups grow. They also affect whether those startups can become profitable. This paper compares India and the United Arab Emirates to examine how structural and economic conditions in these two countries influence the scalability and profitability of startup business models. It looks at factors such as purchasing power, regulation, and internal performance indicators like unit economics. Companies such as Zomato and Paytm in India, and Talabat and Careem in the UAE, are used to show how startups operate in very different environments. The comparison suggests that Indian startups rely more on scale and cost efficiency to grow in price-sensitive markets. In contrast, UAE-based startups benefit from stronger consumer spending and higher revenue per transaction. Overall, startup success depends on how well a business model fits its environment.

Keywords: Startup ecosystem, scalability, profitability, unit economics, monetisation strategy, emerging markets, regulatory environment, market size

INTRODUCTION

Growing up around a fourth-generation family business can turn an early interest in business into a deeper curiosity about entrepreneurship. Conversations about ideas, customers, risk, and growth become a normal part of everyday life, and over time they can make one increasingly interested in understanding why some businesses succeed while others struggle. Seeing how a single decision can change the direction of a business demonstrates that entrepreneurship is not only about ambition and strategy, but also about resilience, uncertainty, and the ability to adapt. This is what makes startups such an interesting subject for academic research. In recent years, this interest has become even more relevant as entrepreneurship has emerged as a major driver of economic growth, technological innovation, and job creation in both advanced and emerging economies.

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Over the past decade, startup activity has spread far beyond traditional centres such as Silicon Valley, London, and Singapore. The top 100 emerging ecosystems are collectively worth over \$1.5 trillion in ecosystem value, a 50% increase from 2022, with Startup Genome tracking 3.5 million startups across 290 ecosystems globally (Startup Genome, 2023). Emerging markets are now playing a much bigger role. This is partly due to faster digital adoption and growing consumer demand. Governments have also increased their focus on innovation and entrepreneurship. As a result, new startup ecosystems are forming in places with very different economic conditions. This challenges the idea that successful startups can only come from a few established regions.

In recent years, regions such as South Asia and the Middle East have become more active in entrepreneurship. They were once seen as less important than established innovation hubs. That is no longer the case. These regions now attract founders, investors, and global attention. This change has been driven by better connectivity and rising demand. However, not all ecosystems develop in the same way. Some make it easier for startups to grow. Others still create barriers. This matters because startups do more than innovate. They also create jobs and support economic growth. This is especially significant in places such as Dubai, where entrepreneurship supports diversification away from oil dependence, and in India, where startups have played a major role in expanding digital inclusion and platform-based services.

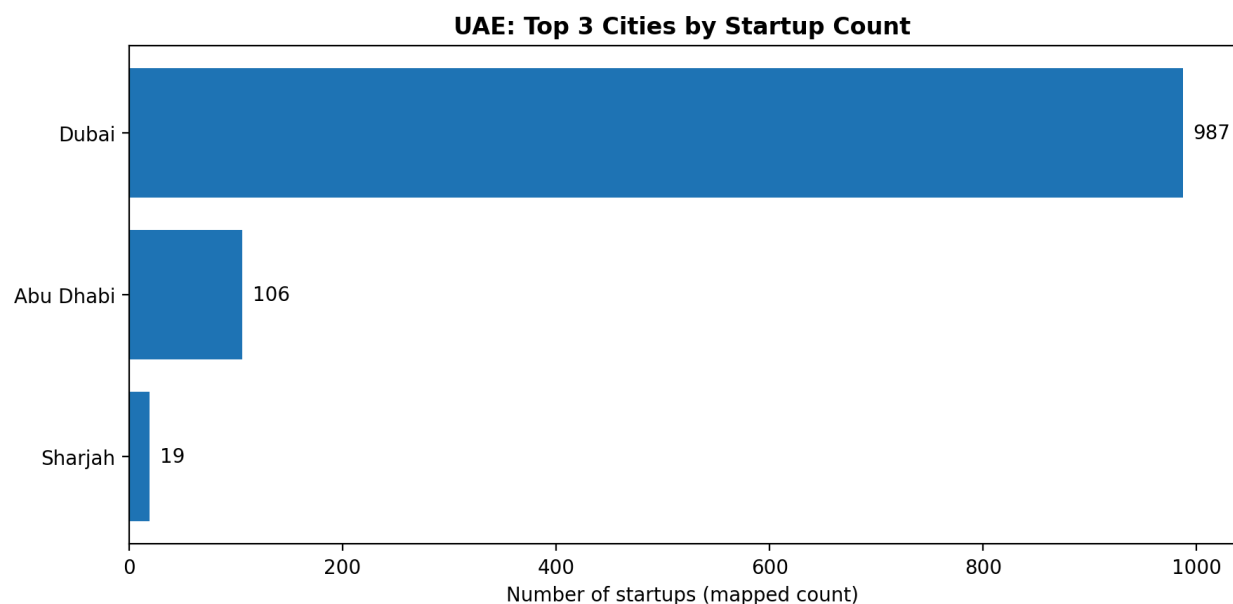
The rise of startups in India and the UAE reflects this wider shift. InMobi became India's first unicorn in 2011, and Flipkart followed in 2012 (VCCircle, 2021). Around the same time, Souq.com became one of the UAE's most important tech companies before being acquired by Amazon. These examples show how startups from both regions are gaining global relevance. However, their journeys are very different. Access to funding, regulation, infrastructure, and market conditions vary significantly. Not all companies succeed. Some, like Snapdeal and Fetchr, struggled after expanding too quickly. This raises an important question: why do some startups succeed while others fail, even when they seem similar? While research often points to funding, institutions, and culture, direct comparisons between markets like India and the UAE are still limited. That makes this study important.

Answering this question requires looking at three connected dimensions. The first is structural factors, including government policy, regulation, institutions, and administrative efficiency. The second is economic factors, such as market size, purchasing power, labour conditions, and access to capital. The third is cultural factors, including attitudes toward risk, failure, and entrepreneurship as a career path. In Dubai, efficient regulation, strong infrastructure, access to international investment, and high consumer purchasing power can help startups grow quickly, although the relatively small domestic market can limit scale. In India, a very large population, widespread technical talent, and rapid digital adoption create major opportunities for expansion, but regulatory complexity, intense competition, and uneven market conditions can make long-term sustainability more difficult. Comparing these two environments is meaningful because both have experienced rapid technological change and strong government involvement, yet they differ sharply in market size, investor behaviour, regulatory consistency, and social attitudes toward entrepreneurship.

This study explores that question through a comparative analysis of the startup ecosystems of India and the UAE, with particular attention to Dubai. Where evidence is specific to Dubai rather than the UAE as a whole, this is stated: Dubai accounts for the majority of UAE startup activity, but is a city-level ecosystem within a federal state, and the two units are not interchangeable. This paper asks how structural and economic conditions in India and the UAE shape the scalability and profitability of platform-based startup business models. It aims to examine how regulation, economic conditions, labour structures, and business model dynamics shape entrepreneurial outcomes in each environment. In doing so, it also considers what broader lessons can be drawn from the successes and limitations of these two rapidly developing ecosystems. The remainder of this paper is structured as follows. First, it reviews the relevant literature in order to establish the theoretical and empirical foundation for the study. It then examines the key external factors that shape startup performance, including government policy, regulation, taxation, labour, and wider economic conditions. After this, it analyses internal business factors such as technology, research investment, and unit economics, before considering future trends and drawing overall conclusions.

Figure 1 shows the distribution of startup ecosystem scores across the world's highest-ranked cities. Activity is heavily concentrated in a small group of established hubs, and the gap between the leading cities and the rest of the 1,000 ranked is wide. This concentration is the background condition against which emerging ecosystems compete: a newer hub is not entering an open field but attempting to draw founders and capital away from incumbents with decades of accumulated advantage.

Figure 1 *Global Startup Ecosystem Activity: Concentration of Startup Scores Across Major Cities*



Note. Data from StartupBlink (2023), *Global Startup Ecosystem Index 2023*, city-level total scores,

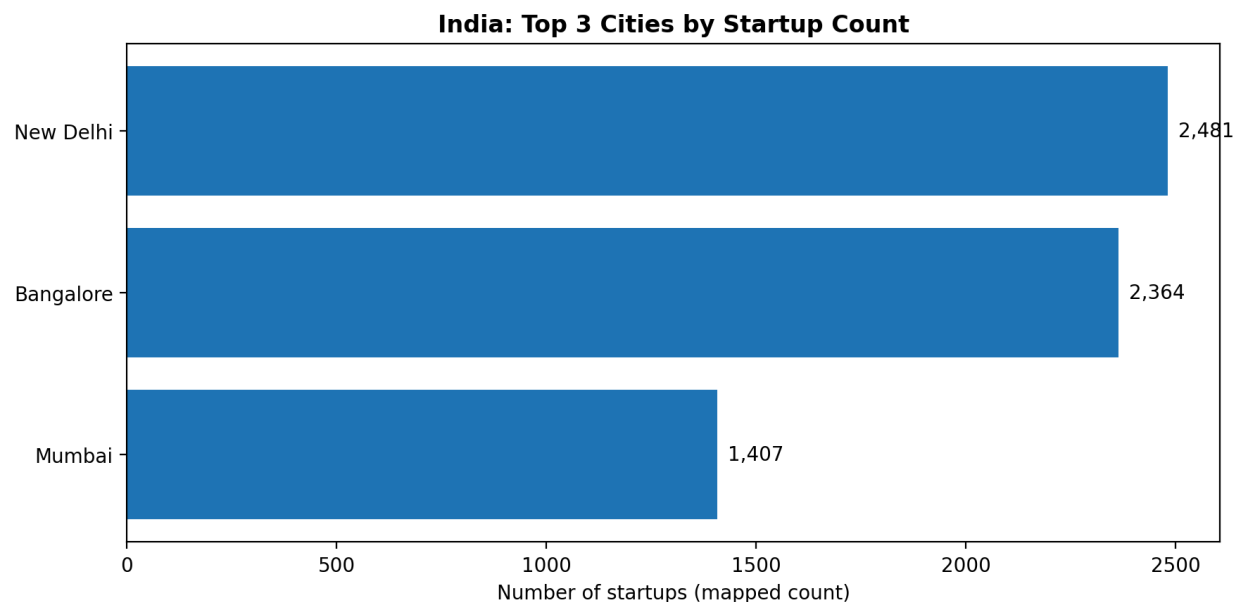
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covering 1,000 cities across 100 countries. Scores are index values rather than absolute counts and are not comparable across editions.

Figure 2 locates India and the UAE within that distribution. India appears through three separately ranked cities, with Bengaluru 8th, New Delhi 13th and Mumbai 25th, while the UAE's position rests almost entirely on Dubai, ranked 58th globally. At country level India ranks 21st and the UAE 28th, though India rises to 4th on StartupBlink's Absolute Ecosystem Power measure, which discounts population. The difference in ecosystem geography matters for the comparison that follows: national indicators for India aggregate several distinct regional ecosystems with different regulatory and infrastructure conditions, whereas UAE indicators largely describe a single city.

Figure 2 Positions of Indian and UAE Cities Within the Global Startup Ecosystem Index



Note. Data from StartupBlink (2023), *Global Startup Ecosystem Index 2023*, city and country rankings, covering 1,000 cities across 100 countries.

LITERATURE REVIEW

Institutional frameworks constitute a foundational determinant of entrepreneurial activity, yet scholars disagree on whether formal regulatory structures or implementation dynamics exert greater influence on outcome metrics. Djankov et al. (2002) establish that entry regulations vary substantially across states, arguing that heavier administrative burdens correlate with larger informal economies and increased corruption rather than superior social outcomes. Framing entrepreneurship as an integrated national

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system, Acs et al. (2014) similarly contend that institutional conditions dictate how effectively individual-level human and financial capital translate into aggregate economic performance. Quantifying these friction points, Chambers and Munemo (2019) found that each additional startup procedure reduces entrepreneurial activity by 3 to 7 percent, whereas a one standard deviation improvement in institutional quality correlates with a 34 percent increase in new business formation. However, Chowdhury et al. (2019) qualify these systemic claims by observing that institutional mechanisms operate differently across income tiers, finding that formal regulatory improvements produce distinct operational outcomes in developing economies compared to high-income states. While Chambers and Munemo (2019) argue that formal administrative procedures directly constrain venture formation, the OECD (2022) finds that inconsistent policy implementation exerts a far more disruptive influence on operational outcomes. Ultimately, whether formal entry requirements or consistency of administrative enforcement better predicts firm scalability remains unresolved, particularly since institutional scholarship overwhelmingly measures initial market entry rather than sustained operational growth.

A parallel body of scholarship investigates how cultural values condition entrepreneurial orientation, presenting distinct viewpoints regarding the precise mechanism through which national culture operates. Hayton et al. (2002) argue that national cultural dimensions shape societal risk preferences and attitudes toward failure, asserting that ecosystems that normalize commercial risk foster greater venture resilience and overall entrepreneurial activity. Conversely, Autio et al. (2013) find that cultural practices exert highly specific influences on distinct entrepreneurial behaviors rather than driving aggregate business entry rates generally. Where Hayton et al. (2002) argue that national cultural dimensions operate as autonomous drivers of societal risk tolerance, Autio et al. (2013) find that cultural practices exert highly specific influences that are mediated through institutional contexts and specific behavioral choices. This theoretical divergence bears significant analytical consequences for empirical evaluation. If cultural practices are mediated through institutional arrangements, self-reported metrics such as entrepreneurial fear of failure describe structural institutional outcomes rather than autonomous cultural causes. How national cultural norms interact with legal and financial incentives to independently influence long-term startup survival and scaling dynamics remains unsettled.

The economic architecture of digital enterprises introduces a third theoretical pillar regarding business model design and unit-level scalability. Defining multi-sided platforms, Hagiu and Wright (2015) demonstrate that platform intermediation outperforms traditional vertical integration or reselling frameworks when direct interactions between distinct user groups generate bilateral network externalities. Crucially, they emphasize that platform monetization structure represents a deliberate architectural design choice rather than a fixed operational feature. Under this analytical model, take rates and revenue composition serve as essential variables, determining how effectively a platform captures value from gross merchandise flows without suppressing participant engagement. Systematizing this domain, Rietveld and Schilling (2021) map the mechanics of platform competition, showing that long-term firm performance hinges on balancing user network expansion with strategic value capture. Complementing this structural view, Elia et al. (2020) demonstrate that digital technologies, shared data architecture, and collective intelligence fundamentally reconfigure the entrepreneurial process, accelerating venture

deployment and market access. While Hagiu and Wright (2015) argue that platform monetization design represents a deliberate strategic choice, Rietveld and Schilling (2021) find that platform growth relies on balancing user expansion with competitive constraints on value capture. However, because platform economics literature draws overwhelmingly from high-income market contexts, the theoretical trade-offs between driving transaction volume and securing unit-level contribution margins in lower-income, highly price-sensitive environments remain under-examined.

A primary theoretical limitation across these three distinct literature streams is their tendency to operate in isolation, leaving the dynamic interactions among institutional frameworks, cultural risk orientations, and platform unit economics under-conceptualized. Extant studies frequently analyze regulatory costs, societal values, or digital business models independently, failing to clarify how macroeconomic and institutional constraints actively shape internal platform monetization choices. Furthermore, aggregate national studies routinely obscure sub-national ecosystem variation, a theoretical oversight that becomes particularly pronounced in large developing economies where distinct regional jurisdictions feature divergent administrative efficiency, regulatory enforcement, and infrastructure quality. Consequently, direct comparative scholarship evaluating highly capitalized, state-led startup ecosystems alongside expansive, scale-driven emerging markets remains notably scarce. This paper addresses these theoretical gaps by providing an integrated, multi-thematic comparison of platform business model scalability across two distinct structural regimes operating at contrasting income levels.

DEFINITIONS

Scalability: The capacity of a business model to increase output or transaction volume without a proportional increase in variable cost. Scalability differs fundamentally from growth, as a firm can expand rapidly in top-line revenue or order volume without being scalable, a distinction this paper occasionally collapses in specific analytical contexts.

Profitability: The measurement of financial performance evaluated across two distinct structural levels: unit-level profitability, assessed as contribution profit per transaction after deducting variable costs, and firm-level profitability, evaluated through consolidated accounting metrics including Adjusted EBITDA and net income.

Startup Success: Defined operationally within this study as firm survival beyond a given funding stage or the achievement of a positive contribution margin. Any such operational benchmark carries an inherent disclosure bias, as financial and operational data are overwhelmingly available for surviving and publicly reporting entities.

Unit Economics: The revenues and directly attributable variable costs associated with a single transaction or an individual customer unit.

Take Rate: The share of gross merchandise value (GMV) that a platform retains as top-line revenue, calculated as total revenue divided by GMV. Establishing this metric is essential for analyzing platform

monetization, as arguments concerning talabat's 40% GMV-to-revenue conversion rest on how effectively the platform extracts revenue from gross transactional volume.

Adjusted EBITDA: Earnings before interest, tax, depreciation, and amortisation, further modified by management to exclude items designated as non-recurring or non-cash (such as share-based compensation). As a non-IFRS metric, its specific accounting adjustments differ between the firms compared, creating variance that carries directly into the study's analytical limitations.

METHODOLOGY

This study uses a comparative case design to examine how structural and economic conditions shape the scalability and profitability of platform-based startup business models in India and the United Arab Emirates. It relies on secondary data covering the period from 2015 to 2025. This ten-year window was selected because it spans major policy shifts including the launch of Startup India in 2016, India's introduction of the Goods and Services Tax in 2017, the UAE's 2023 introduction of federal corporate tax and long-term residence visas, and the earliest full-year profitability disclosures of the companies examined. Observations prior to 2015 are used strictly to establish historical context.

The analysis draws on 30 distinct sources across six categories: 10 publications and datasets from multilateral and international institutions (World Bank Doing Business, Enterprise Surveys, World Development Indicators, OECD, and the Global Entrepreneurship Monitor); 7 national government and statutory sources (DPIIT, Ministry of Finance, NITI Aayog, AICTE, Department of Science and Technology, UAE Government Portal, and the Ministry of Human Resources and Emiratisation); 3 audited company financial disclosures; 5 corporate technical publications, used solely for descriptive claims about the firm that issued them; 2 commercial ecosystem research reports; and 3 peer-reviewed journal articles. Peer-reviewed literature was retrieved across Google Scholar, JSTOR, and ScienceDirect using four explicit search strings: "startup ecosystem comparative emerging markets", "platform business model unit economics", "regulatory environment startup formation", and "national culture entrepreneurship fear of failure". All institutional materials were downloaded directly from official data portals, defaulting to the most recent edition whenever multiple vintages existed.

Company cases were selected using three strict criteria: operating a platform business model, maintaining active commercial operations in the target market, and publishing audited financial disclosures for at least one full financial year. Three companies satisfied all conditions: Eternal (formerly Zomato) and One97 Communications (Paytm) for India, and talabat for the UAE. Other firms, specifically Careem, noon, Swiggy, Flipkart, and Razorpay, met only the first two criteria and are referenced purely to illustrate market dynamics without making empirical financial claims. Consequently, macroeconomic and institutional indicators serve as the baseline evidence, while corporate cases highlight specific operational mechanisms rather than forming a representative sample, and no formal statistical inferences are drawn from them.

The comparison was conducted thematically, grouping information under three core dimensions derived from the literature: regulatory and institutional efficiency, economic capacity and market structure, and internal business model design. Within these themes, the two economies are evaluated across 11 specific indicators reported in Table 2, with each metric taken from a single identified source and missing data points explicitly noted rather than estimated or substituted. All quantitative figures preserve the original source's currency, units, fiscal calendar, and reporting denominator, acknowledging that financial margins calculated against net order value, gross merchandise value, and net revenue cannot be directly compared against mismatched bases.

FINDINGS

Note the two forward-looking paragraphs that previously opened the section have been moved to Future Outlook.

Research shows that startups tend to perform better when regulation is clear and institutions are reliable. Government support also plays an important role, especially in early stages. Simple licensing processes and access to incubators can make it easier for new businesses to start and grow (Acs et al., 2014; World Bank, 2023b). In Dubai, this is one of the key advantages. Platforms like Invest in Dubai allow businesses to be set up quickly. This reduces delays and helps founders move faster. Programmes such as the DIFC Innovation Licence also reduce costs for early-stage startups.

In contrast, while India has made notable progress through national initiatives such as Startup India, regulatory complexity and administrative fragmentation remain common challenges. The World Bank Enterprise Surveys indicate that senior management in India spends over 12 percent of their time dealing with regulatory compliance, diverting attention from core business activities such as innovation and scaling (World Bank, 2023b). Furthermore, regulatory requirements can vary significantly across states and sectors, creating uncertainty and increasing compliance costs for startups operating in multiple regions. OECD research emphasises that such inconsistency in regulatory implementation can undermine policy effectiveness, even when supportive frameworks exist on paper (OECD, 2022). These contrasts illustrate how differences in institutional coordination and regulatory efficiency can lead to divergent entrepreneurial outcomes, despite broadly similar growth ambitions.

The economic environment has a strong impact on startup growth too. Market size is important. So is access to funding. Stability also matters. Research suggests that startups are more likely to scale when economies are growing and capital is available (Global Entrepreneurship Monitor, 2023). India benefits from a very large domestic market and a growing talent pool. This has helped its startup ecosystem expand quickly. At the same time, this scale increases competition. It also makes startups more sensitive to changes in funding conditions.

Dubai, by contrast, operates within a smaller domestic market but compensates through high purchasing

power, global connectivity, and policy-driven investment attraction. Venture capital investment in the UAE reached over \$600 million in 2024 (MAGNiTT, 2025), with a high volume of early-stage deals, reflecting an ecosystem oriented toward experimentation and international expansion. UAE's long-term economic strategy, articulated through the D33 agenda, explicitly targets the creation of 30 unicorns by 2033 (Government of Dubai, 2023), signalling strong state commitment to innovation-led growth. These differences highlight how high-income economies often offer stronger infrastructure and stability, while middle-income economies provide scale and rapid market expansion. Both environments present distinct risks and opportunities, helping to explain variation in startup success even among fast-growing ecosystems.

Cultural norms and societal attitudes toward entrepreneurship significantly influence founder behaviour, particularly in relation to risk-taking, innovation, and tolerance of failure. Studies suggest that ecosystems which normalise experimentation and view failure as a learning process tend to produce more resilient and adaptive startups (Hayton et al., 2002). In India, cultural expectations surrounding financial security, career stability, and family approval continue to shape entrepreneurial decision-making. According to the Global Entrepreneurship Monitor (2024), over 60 percent of Indian youth report fear of failure as a major barrier to starting a business, indicating that cultural constraints may limit entrepreneurial entry even when opportunities exist.

RESULTS: STRUCTURAL AND ECONOMIC CONDITIONS COMPARED

1. External Factors Affecting Business

Government Policies and Regulations

Government policies and regulatory frameworks are among the most decisive external factors influencing startup formation, survival, and long-term growth. Regulations governing company registration, licensing, taxation, labour laws, and intellectual property determine not only how easily firms can enter the market but also how efficiently they can scale. Empirical evidence shows that countries with faster and more transparent regulatory systems experience higher rates of formal business creation and startup survival. According to the World Bank's Doing Business 2020 report, starting a business in the United Arab Emirates requires around four days, involves very few procedural steps, and has no minimum paid-in capital requirement, placing it among the most efficient regulatory environments globally (World Bank, 2020). Between 2015 and 2025, the UAE has further strengthened this position through digitised licensing portals, unified government platforms, and specialised free zones such as DIFC and Dubai Internet City, which provide startups with regulatory clarity, tax incentives, and 100 percent foreign ownership. These reforms are intended to reduce compliance costs and uncertainty, enabling founders to focus resources on product development and market entry. They also increase investor confidence, as predictable and stable institutions reduce regulatory risk for both domestic and foreign capital.

India presents a contrasting regulatory trajectory. Although India improved significantly on the Ease of Doing Business rankings, rising from 142nd in 2014 to 63rd in 2020 (World Bank 2020), the regulatory

burden remains comparatively higher in terms of documentation, procedural steps, and regional variation (Note: World Bank's Doing Business rankings were discontinued in 2021 following the review's data irregularities). This means that early-stage startups often spend more time and capital on compliance before achieving market traction. However, targeted government intervention has played a crucial role in supporting high-growth firms. A notable example is Zomato, scaled during a period in which GST simplified interstate tax compliance and digital public infrastructure lowered transaction costs, although this paper does not isolate the contribution of these reforms to the company's growth. Additionally, government-backed digital public infrastructure, including Aadhaar and the Unified Payments Interface, lowered transaction costs and enabled Zomato to scale rapidly across cities. Under the Startup India initiative, launched in 2016, recognised startups gained access to tax exemptions, faster patent processing, and government-supported incubators, contributing to India surpassing 100,000 recognised startups by 2023 (Government of India, Ministry of Commerce and Industry, 2023). These examples show that while India's regulatory environment remains more complex, selective and large-scale policy interventions can still significantly shape startup success. Overall, government regulation plays a foundational role in determining how easily businesses can launch, how securely they can operate, and how effectively they can scale in competitive markets.

Table 1
Regulatory Efficiency Indicators for Starting a Business

Indicator	UAE	India
Starting a Business rank	17	136
Procedures (number)	2.5	10
Time (days)	4	18
Cost (% of income per capita)	17.2	7.2

Note. World Bank (2020). Doing Business 2020 economy profiles (Starting a Business indicators). Doing business collects UAE data in Dubai. This makes it a more Dubai-to-Mumbai/Delhi comparison rather than a national one.

As shown in Table 1, the UAE's business entry process is faster and involves fewer procedures than India's, reducing early-stage compliance friction. The exception is direct cost, where UAE entry fees are higher relative to income per capita. The UAE's advantage therefore lies in speed and procedural simplicity rather than in the monetary cost of entry.

The starting a business rank shows how a country compares with others in terms of how easy it is to legally set up a business. A lower rank means the process is simpler and more supportive for entrepreneurs. The number of procedures refers to how many official steps an entrepreneur must complete, such as registering the company, obtaining permits, and opening a bank account. The time in

days measures how long it usually takes to finish all these steps and begin operating legally. The cost, expressed as a percentage of income per capita, shows how expensive it is to start a business relative to the average person's annual income. A lower cost makes entrepreneurship more accessible.

Economic Factors

Economic conditions such as GDP size, income levels, growth rates, and the stage of development exert a powerful influence on startup ecosystems by shaping market demand, investment availability, and risk exposure. High-income economies typically provide strong purchasing power, advanced infrastructure, and macroeconomic stability, which support capital-intensive and technology-driven business models. The United Arab Emirates exemplifies this environment. In 2024, the UAE recorded a GDP per capita of approximately USD 54,000, placing it among the world's highest-income economies (World Bank, 2024a). Total GDP exceeded USD 500 billion, while real GDP growth averaged 3-4 percent between 2021 and 2024, reflecting steady post-pandemic expansion. Inflation during this period remained relatively low, generally below 3 percent, contributing to predictable pricing conditions and stable consumer demand. These factors allow startups in sectors such as fintech, artificial intelligence, and premium consumer services to adopt higher price points, attract foreign investors, and scale with reduced exposure to economic volatility.

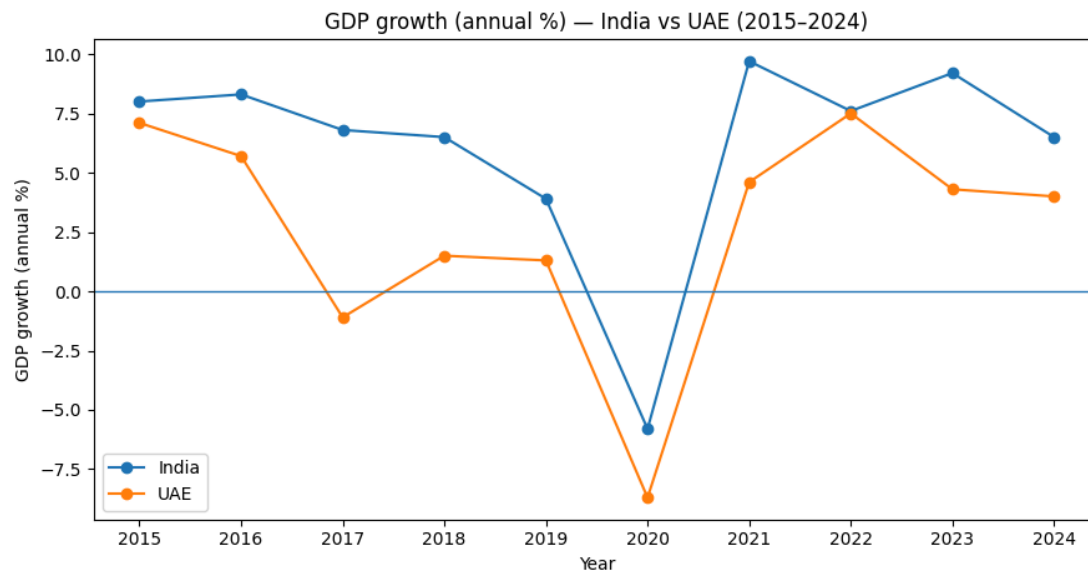
Lower-middle-income economies such as India present a very different, but equally significant, economic context. India's GDP per capita stood between USD 2,400 and USD 2,700 in 2024, far lower than that of high-income economies (World Bank, 2024b). However, India's total GDP is close to USD 3.9 trillion, and real GDP growth averaged 6 to 7 percent annually between 2015 and 2024, making it one of the fastest-growing large economies in the world (World Bank 2024a, b). This combination of rapid growth and a population exceeding 1.4 billion creates vast opportunities for scale-oriented startups. Zomato's business model reflects these conditions: rather than relying on high margins, the company expanded by leveraging India's large urban population, rising smartphone penetration, and increasing digital payments adoption. By 2021, Zomato was operating in over 500 Indian cities, demonstrating how scale and growth can compensate for lower average income levels. However, this environment also exposes startups to higher volatility, including inflationary pressures, uneven regional development, and fluctuations in consumer spending. As a result, Indian startups must prioritise cost efficiency, scalability, and adaptability to survive.

The contrast between high-income and lower-middle-income economies illustrates how economic factors shape not only which startups emerge, but also how they grow and compete. High-income environments favour stability, premium innovation, and steady scaling, while rapidly developing economies reward scale, speed, and resilience. Understanding these differences is essential for explaining why startup ecosystems such as those in the UAE and India produce distinct patterns of entrepreneurial success and risk.

Figure 3 shows annual real GDP growth for India and the UAE from 2015 to 2024. India's rate is consistently the higher of the two and considerably more volatile, with a sharp contraction in 2020

followed by a strong rebound, while the UAE's path is lower and flatter across the decade. Both features matter for startups. Faster growth expands the addressable market, which supports business models that depend on rising transaction volume. Greater volatility widens the range of plausible demand forecasts, which raises the risk attached to the fixed cost commitments those models require. The UAE presents the inverse condition: a slower-expanding market in which forecasting error is smaller.

Figure 3 Annual Real GDP Growth: India and the UAE, 2015 to 2024



Note. Data from World Bank (2024a, 2024b), *World Development Indicators*, series NY.GDP.MKTP.KD.ZG, GDP growth (annual %), constant prices.

Labour and Taxation

Another critical set of external factors influencing startup success is the availability of skilled labour and the structure of taxation systems. Access to a large, appropriately skilled workforce determines how easily startups can hire, scale, and innovate, while tax policy directly affects profitability, reinvestment capacity, and investor incentives. India possesses one of the world's largest labour pools, adding over 10 million workers annually to its workforce, with more than 1.5 million engineering graduates produced each year since 2015 (World Bank, 2023c; AICTE, 2022). This abundance of technical and semi-skilled labour has been central to the growth of startups such as Zomato and Paytm, which rely on large delivery, operations, and engineering teams to scale rapidly across cities. Lower average wage costs relative to high-income economies allow Indian startups to experiment, expand aggressively, and operate on thinner margins. However, skills mismatch and regional disparities remain challenges, with The Ministry of Finance Economic Survey 2023-24 stating that only 4.4% of the youth cohort of 15 to 29 years have received formal training, requiring startups to invest heavily in training.

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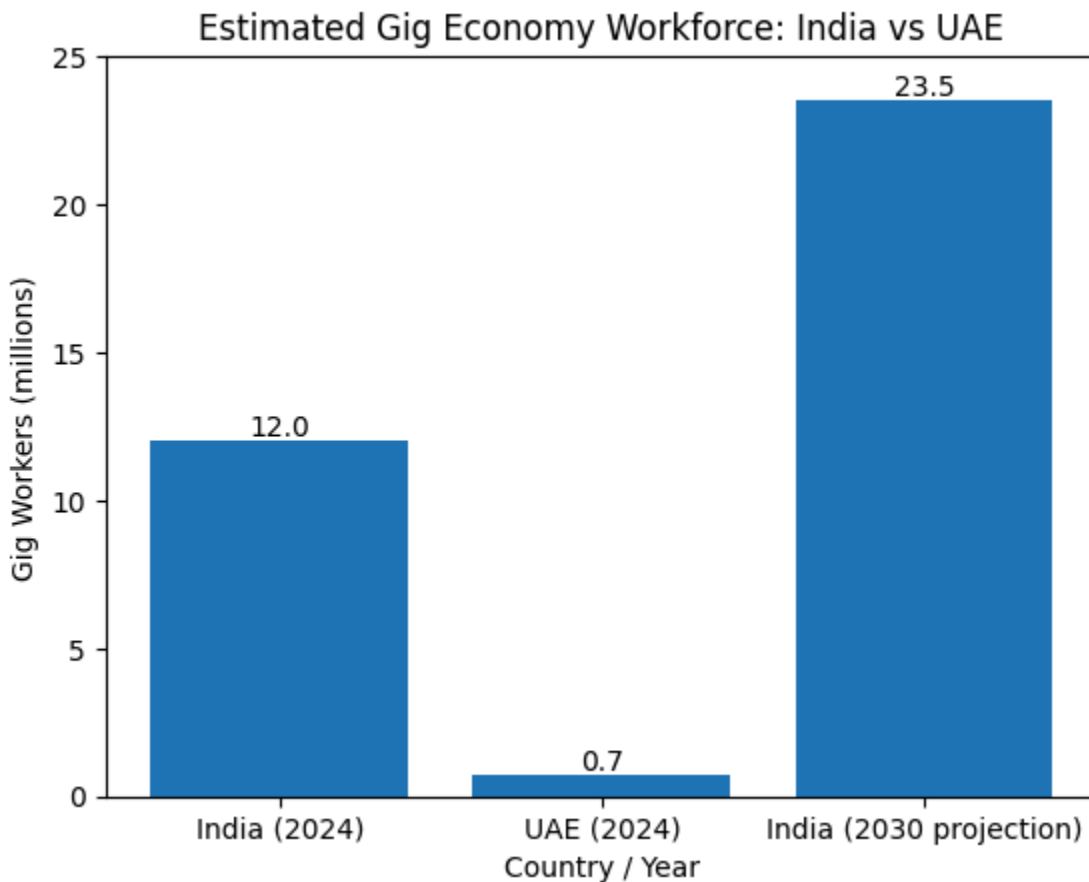
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In contrast, the United Arab Emirates offers a smaller domestic labour force but compensates through access to global talent via liberal immigration policies. Between 2015 and 2025, the UAE introduced long-term residence options such as the Golden Visa, enabling startups to recruit and retain highly skilled foreign professionals (Government of the UAE, 2022). This has supported firms like Careem and Talabat, which depend on international managerial, engineering, and data talent. Taxation further differentiates the two environments. The UAE maintained a 0 percent personal income tax throughout this period and, until 2023, imposed no federal corporate tax. Even after the introduction of a 9 percent corporate tax in 2023, rates remain low by global standards, enhancing retained earnings and investor appeal. India, by contrast, reduced its headline corporate tax for new manufacturing firms to 15 percent in 2019, signalling pro-business reform, but startups still face indirect tax complexity under GST compliance (Government of India, Ministry of Finance, 2019). Overall, labour availability and taxation structures strongly shape startup strategies: India's advantage lies in workforce scale and cost efficiency, while the UAE's strength lies in talent mobility, retention, and tax predictability. These external factors significantly influence how startups hire, grow, and compete within their respective ecosystems.

An important aspect of labour markets affecting startup ecosystems in both India and the UAE is the availability of low-skilled workers, particularly in gig-economy roles such as delivery riders, drivers, and warehouse staff. Many platform startups rely heavily on these workers to support last-mile logistics and rapid service fulfilment. In India, the large supply of low-skilled labour enables companies such as Zomato, Swiggy, and Flipkart to operate extensive delivery networks across hundreds of cities while keeping operational costs relatively low. This labour availability allows startups to scale quickly and maintain competitive pricing in a highly price-sensitive market. In the UAE, platforms such as Talabat and Careem similarly depend on large numbers of migrant workers in delivery and logistics roles. Although the domestic labour pool is smaller, the UAE's reliance on migrant labour provides a flexible workforce that supports the rapid expansion of platform-based services. However, higher living costs and stricter labour regulations can increase operational expenses compared with India. As a result, the availability and cost of low-skilled labour remain important factors shaping how startups scale and manage operational efficiency in both ecosystems.

Figure 4 compares the estimated size of the gig and platform workforce in each country. NITI Aayog places India's at 7.7 million in 2020-21, equivalent to 1.5 per cent of the total workforce and 2.6 per cent of the non-agricultural workforce, and projects growth to 23.5 million by 2029-30. The UAE's workforce is substantially smaller in absolute terms, estimated at approximately 100,000 workers, and is drawn largely from migrant labour concentrated in delivery and logistics. The relevant point is not the difference in size but what it implies for cost structure. India's labour supply allows platforms to extend delivery networks across many cities at low marginal cost, which supports the high-volume, thin-margin model examined later in this paper. Higher living costs and tighter labour regulation raise the per-order cost of the same operation in the UAE, which pushes platforms towards higher revenue per transaction rather than higher transaction counts.

Figure 4 *Estimated Gig and Platform Workforce Size: India and the UA*



Note. India data from NITI Aayog (2022), *India's Booming Gig and Platform Economy*, estimates for 2020-21 with projections to 2029-30. UAE figures estimated at ~100,000 from Ministry of Human Resources and Emiratisation data. Figures are estimates rather than measured counts and are constructed on different bases, so the comparison indicates order of magnitude only.

2. Internal Factors Affecting Business

Technology

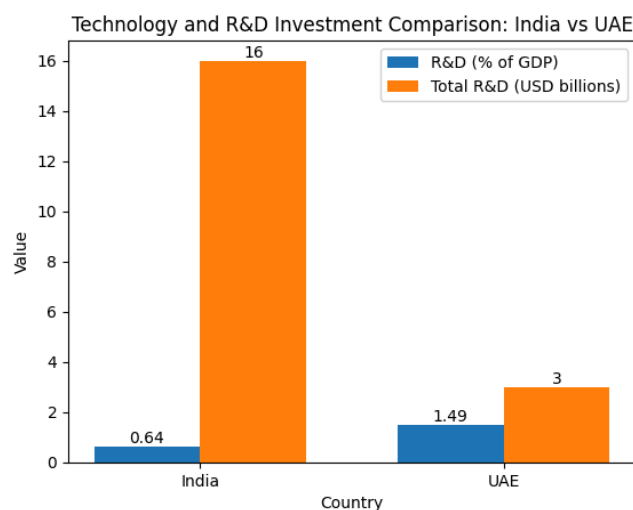
Technology is a critical internal factor influencing startup scalability, efficiency, and competitiveness, as it determines how effectively firms manage operations, analyse data, and deliver value to customers. In India, startups such as Flipkart demonstrate how strong internal technological capability can drive market leadership. Flipkart's investment in artificial intelligence, data analytics, and automated warehousing enabled it to optimise inventory management and reduce delivery times across a geographically diverse market (Flipkart Group 2021). Algorithm-driven recommendation systems and demand forecasting allowed the platform to handle hundreds of millions of users while improving customer engagement. Similarly, Razorpay leveraged cloud-native architecture and API-based payment systems to process large

transaction volumes efficiently. By automating compliance, fraud detection, and settlement processes, Razorpay scaled rapidly between 2017 and 2023 without proportional increases in operational costs (Razorpay, 2023). In the food delivery sector, Swiggy relied on machine-learning algorithms for delivery partner allocation, route optimisation, and dynamic pricing, enabling faster deliveries and improved customer retention in highly competitive urban markets (Swiggy, 2021). These cases are selected on the outcome of interest and therefore illustrate a mechanism rather than establish its general effect.

In the United Arab Emirates, startups operate within a highly digitised ecosystem but still depend on internal technological execution to succeed and expand. Noon invested heavily in logistics technology, data-driven inventory management, and last-mile delivery software to compete with global e-commerce players. These systems enabled efficient cross-border operations and supported rapid regional expansion (Noon.com, 2022). Similarly, Careem built its platform around real-time data processing, artificial intelligence, and route optimisation algorithms, allowing it to manage large ride volumes while maintaining service reliability across multiple countries (Careem Networks FZ LLC, 2020). Between 2015 and 2025, rising consumer expectations for speed, personalisation, and reliability have made technological capability a decisive internal factor. Startups that fail to invest in scalable platforms, automation, and data analytics face higher costs and slower growth, while those with strong technological foundations are better positioned to innovate, adapt, and sustain long-term competitiveness.

Figure 5 shows research and development expenditure as a share of GDP. India spends 0.65 per cent, while the UAE allocates a higher share at 1.50 per cent, though India's much larger economy means its absolute R&D spending remains the greater of the two. Neither measure captures private platform investment directly, since national R&D accounts include public research and higher education. The figure describes the innovation environment in which the firms examined operate rather than explaining their individual technology decisions.

Figure 5 *Research and Development Expenditure as a Percentage of GDP: India and the UAE*



Note. Data from World Bank, *World Development Indicators*, series GB.XPD.RSDV.GD.ZS, research and development expenditure (% of GDP). India, 0.65 per cent (2020). UAE, 1.50 per cent (2021, most recent year available). Reporting years differ between the two economies.

Business Model Strength and Unit Economics

Business model strength is most clearly revealed through unit economics, meaning whether each incremental order or transaction generates positive profit after variable costs (often tracked through take rate, contribution profit, and earnings before interest, taxes, depreciation and amortisation (EBITDA) margins). This is highly comparable across the UAE and India because platform startups in both markets monetise through similar levers such as commissions, delivery and service fees, subscriptions, and advertising, but the mix and pricing power differ. In India's price-sensitive environment, sustainable models depend on scale plus tight cost control. For example, Eternal (formerly Zomato) reports food delivery profitability using Adjusted EBITDA margin as a share of net order value (NOV). In Q1FY26, food delivery improved to an Adjusted EBITDA margin of 5.0% of NOV (up from 3.9% a year earlier), showing how margin expansion can occur even when growth slows, as long as the unit economics are improving (Eternal Limited, 2025). The same disclosure also shows how unit economics interact with strategy, because consolidated Adjusted EBITDA fell year on year due to continued investment in quick commerce and going out, even while food delivery became more profitable, highlighting that strong unit economics in one vertical can be offset by expansion spending in another. In fintech, Paytm shows a different unit economics engine driven by payment monetisation and distribution margins. In FY2024, Paytm reported GMV of INR 18.3 lakh crore (up 39%), net payment margin of INR 2,955 crore (up 50%), contribution profit of INR 5,538 crore (up 42%), and EBITDA before ESOP of INR 559 crore with a 6% margin, indicating that improving monetisation per transaction and a higher share of higher-margin services can convert volume into operating profitability (One97 Communications Ltd., 2024).

In the UAE and wider GCC, higher purchasing power and a greater willingness to pay for convenience often allow delivery and marketplace platforms to achieve stronger monetisation per order, which shows up directly in take rate-style metrics. Talabat's FY2024 results illustrate this clearly: GMV reached USD 7.4 billion (up 23%), while management revenue reached USD 3.0 billion, implying a 40% GMV-to-revenue conversion ratio. Talabat also reported Adjusted EBITDA of USD 497 million (6.7% of GMV) and net income of USD 346 million (4.7% of GMV), meaning the platform not only monetised strongly but also converted that monetisation into bottom-line profitability (Talabat Holding plc, 2025). What makes this especially useful for the comparison is that Talabat discloses the specific revenue mix that underpins unit economics: FY2024 management revenue included commission fees (USD 1,062 million), subscription and other income (USD 952 million), delivery and service fees (USD 696 million), and advertising and listing fees (USD 246 million), showing multiple monetisation streams beyond commission alone (U.S. Securities and Exchange (SEC), Grab Holdings Limited Form 20-F). Similar monetisation dynamics can also be seen in other UAE-based startups such as Careem, whose super app model integrates ride hailing, food delivery, and digital payments, allowing the platform to generate revenue through ride commissions, delivery fees, subscription programmes such as Careem Plus, and fintech services. Likewise, quick commerce platform YallaMarket illustrates how UAE startups often

pursue higher basket values and delivery fees supported by premium convenience positioning rather than competing primarily on price. Taken together, these cases show why unit economics is a strong internal comparative factor: India often rewards business models that drive high frequency and operational efficiency at scale, while the UAE more often supports higher monetisation per transaction and multi-stream revenue models, which can accelerate the path to profitability when execution is strong.

Table 2 consolidates the 11 indicators used to compare India and the UAE across the three themes.

Indicator	India	UAE / Dubai
Starting a Business rank	136	17
Procedures (number)	10	2.5
Time (days)	18	4
Cost (% of income per capita)	7.2	17.2
Population, 2024	1.45 billion	11.0 million
GDP per capita, 2024 (current USD)	2,700	54000
Real GDP growth, annual average 2015–2024 (%)	5.8	2.7
Corporate tax rate, 2024 (%)	22.0	9.0

Venture funding, 2024 (USD)	4.10 billion	234 million
R&D expenditure (% of GDP)	0.65	1.50
Platform monetisation, most recent disclosure	5.0% Adjusted EBITDA of NOV (food delivery)	40.0% GMV-to-revenue conversion

Read across the rows: the two economies lead on different measures. The UAE on procedural efficiency, income levels, and monetization per transaction, and India on population, growth rate, and market scale. The exception is cost of entry, where the UAE is the more expensive environment relative to income, indicating that institutional advantage is not uniform across dimensions.

Discussion

The empirical findings regarding administrative entry barriers align directly with established institutional literature. The observed divergence in operational friction, where India requires 10 procedures and 18 days compared to 2.5 procedures and 4 days in the UAE, provides a clear illustration of regulatory drag. This structural gap is consistent with the findings of Chambers and Munemo (2019), who estimate that each additional start-up procedure reduces entrepreneurial activity by 3 to 7 percent. Furthermore, the substantial regional variation in regulatory enforcement across Indian states supports the OECD (2022) argument that policy implementation consistency frequently exerts a greater operational impact than formal statutory design. By illustrating how these administrative dynamics function across contrasting economic contexts, the comparative data also reflects the conclusions of Chowdhury et al. (2019), who demonstrate that institutional mechanisms produce distinct entrepreneurial patterns in developing economies compared to high-income states.

However, the empirical evidence complicates traditional entry-barrier frameworks when examining monetary costs relative to income. While the UAE offers a streamlined procedural timeline, its financial cost to start a business reaches 17.2 percent of income per capita, compared to 7.2 percent in India. This reversal qualifies foundational claims by Djankov et al. (2002), who treat procedural burdens and financial entry costs as aligned dimensions of institutional friction. The data suggests that these indicators can move in opposite directions within the same economy, indicating that institutional friction is inherently multi-dimensional. Consequently, collapsing regulatory environment metrics into single aggregate indices may obscure trade-offs that affect entrepreneurs differently depending on whether their binding operational constraint is capital or speed. Additionally, India's capacity to generate a vast and active startup ecosystem despite its procedural drag qualifies the effect-size projections of Chambers and

Munemo (2019), suggesting that massive domestic market scale can partially compensate for institutional entry friction.

Beyond institutional entry dynamics, these findings extend digital platform theory into price-sensitive emerging markets. While platform literature, such as Hagiwara and Wright (2015) and Rietveld and Schilling (2021), emphasizes network expansion and value capture in high-income contexts, the case disclosures reveal two distinct monetization architectures shaped by local market capacity. In the UAE's high-income context, talabat converts 40.0 percent of GMV into top-line revenue while generating an Adjusted EBITDA margin of 6.7 percent of GMV. Conversely, in India's price-sensitive market, Zomato maintains a lower-margin food delivery core at 5.0 percent Adjusted EBITDA of net order value, cross-subsidizing faster-growing quick-commerce verticals. These corporate outcomes indicate that platform profitability does not follow a single universal trajectory. Instead, firms adopt distinct architectural choices: one maximizes revenue extraction per transaction within a smaller, high-income pool, whereas the other relies on volume scale and strict unit-level margin discipline. This observation extends the framework of Hagiwara and Wright (2015) by illustrating that platform monetization structure is an adaptive response to underlying macroeconomic constraints rather than a purely autonomous strategic preference.

Finally, the empirical evidence cannot resolve ongoing scholarly debates regarding the independent influence of national culture. While survey data indicates differing fear-of-failure rates between the two markets, this study cannot determine whether cultural risk aversion operates as an autonomous driver, as Hayton et al. (2002) suggest, or if it is mediated through formal institutional structures, as argued by Autio et al. (2013). Disentangling these competing mechanisms would require granular, firm-level decision data rather than aggregate macroeconomic indicators. Ultimately, while the comparative design identifies clear structural associations between institutional environments and platform unit economics, it does not isolate causal attribution. These empirical and structural boundaries lead directly to the methodological limitations addressed in the subsequent section.

FUTURE OUTLOOK

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Looking ahead, several emerging trends are likely to shape the future scalability and profitability of startups in both India and Dubai. One of the most significant is the continued expansion of artificial intelligence, digital infrastructure, and platform technologies, which are rapidly transforming how startups operate and compete. In India, the rapid growth of digital public infrastructure such as the Unified Payments Interface (UPI), Aadhaar identification systems, and expanding internet connectivity is expected to further lower transaction costs and enable startups to scale quickly across a vast population. At the same time, increasing investment in artificial intelligence, fintech, and software services may strengthen India's position as a global technology hub. However, rising competition and funding cycles may also pressure startups to demonstrate profitability earlier rather than prioritising rapid expansion.

In Dubai and the wider UAE, future startup growth will likely be shaped by continued government-led economic diversification and investment in innovation sectors such as artificial intelligence, fintech, climate technology, and space technology. Initiatives such as the Dubai Economic Agenda (D33) aim to attract global entrepreneurs, increase venture capital investment, and position Dubai as one of the world's leading innovation hubs. The UAE's strong infrastructure, international connectivity, and access to global capital markets may continue to attract high-growth startups. However, long-term success will depend on expanding market access beyond the relatively small domestic population and strengthening regional integration across the Middle East and North Africa. Overall, technological change, investment trends, and government innovation strategies will play a central role in shaping how startups in both India and Dubai scale, compete, and achieve sustainable profitability in the future.

LIMITATIONS

Four key limitations frame the interpretation of these findings. First, the spatial units of analysis are inherently asymmetrical. While India is analyzed as a national ecosystem, much of the evidence for the UAE centers on Dubai. In fact, certain indicators reflect Dubai alone by design, such as World Bank Doing Business metrics for the UAE, whereas India's corresponding figures represent a population-weighted average of Mumbai and Delhi. Consequently, the study compares a broad national aggregate against a city-led ecosystem within a federal state, rather than two strictly equivalent geographic entities.

Second, the analysis depends entirely on secondary research and company-issued disclosures. Documents such as earnings releases and shareholder letters are targeted primarily toward investors, meaning management retains full discretion over which operational metrics to disclose and how to define them.

Third, financial performance metrics cannot be directly equated across the selected companies. Eternal reports its food delivery margins relative to net order value, talabat reports Adjusted EBITDA as a percentage of gross merchandise value, and Paytm emphasizes contribution profit alongside EBITDA prior to ESOP expenses. Because these reporting denominators differ fundamentally, cross-firm comparisons capture directional trends rather than precise differences in magnitude. Moreover, Adjusted EBITDA lacks a standardized definition under IFRS, leaving each company free to apply its own accounting adjustments.

Fourth, the case selection introduces an unavoidable reporting bias toward large, well-established platforms. The companies analyzed represent the largest and best-documented entities in their respective markets, chosen precisely because they publish detailed financial records. As a result, they do not reflect the broader startup landscape, and their outcomes cannot be generalized to smaller or failed enterprises where comparable data remains largely unavailable. This sampling constraint is particularly evident in the UAE context. Both talabat and Careem operate as mature subsidiaries under foreign corporate ownership rather than early-stage ventures. Furthermore, talabat's published disclosures reflect group-level operations spanning eight countries, making it impossible to isolate data exclusive to the UAE market.

CONCLUSION

This paper asked how structural and economic conditions in India and the UAE shape the scalability and profitability of platform-based startup business models. In the UAE, strong infrastructure, efficient regulation, and high consumer purchasing power allow startups to generate higher revenue per transaction. However, limited market size means many firms must expand beyond the domestic market to grow further.

In contrast, India offers a much larger market and lower labour costs, creating strong opportunities for scale. At the same time, lower purchasing power and intense competition make profitability harder to achieve. As a result, many Indian startups rely on high volume, efficiency, and cost control. Overall, the comparison shows that there is no single model for startup success. What works depends on the environment. Startups are more likely to succeed when their business models are adapted to local economic conditions.

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