

A Comprehensive Study of Growth Patterns and Success Factors of Unicorn Startups

Pratiksha Jain¹, Dr. R R Chavan²

¹Assistant Professor, G H Rasoni Institute of Engineering & Business Management, Jalgaon

²Associate Professor, School of Management Studies, KBC North Maharashtra University

Abstract

Unicorn startups, defined as private companies with valuations exceeding \$1 billion, have become a defining feature of the contemporary entrepreneurial landscape. This phenomenon, marked by rapid growth and extraordinary valuations, has garnered significant attention from entrepreneurs, investors, and researchers. This paper provides a comprehensive examination of unicorn startups, delving into their defining characteristics, the factors that contribute to their meteoric rise, the challenges they face, and the broader implications for the business ecosystem.

Keywords: Startup, Unicorn Startups, Make in India, Ecosystem.

1. Introduction

In the ever-evolving landscape of entrepreneurship and innovation, a remarkable breed of startups has emerged as the embodiment of unprecedented growth, ambition, and market disruption. These startups, often called "unicorns," possess a unique quality: they have achieved valuations of \$1 billion or more in a relatively short period. The term "unicorn" was first coined to describe these rare and mythical creatures in the business world, and it aptly captures the exceptional nature of these companies.

Unicorn startups have captured the imagination of entrepreneurs, investors, and the public alike. Their meteoric rise to prominence has reshaped industries, challenged established norms, and demonstrated the extraordinary potential of the startup ecosystem. While the concept of a billion-dollar valuation is not new, the frequency with which startups achieve this milestone has increased significantly in recent years. This phenomenon is not limited to a specific region or industry; unicorn startups have emerged globally and span various sectors, including technology, finance, e-commerce, healthcare, and more. They represent diverse ideas, business models, and strategies, united by their ability to attract substantial investments and disrupt traditional markets.

2. Objectives of the Study

1. To analyze the features of unicorn startups;
2. To Identify the current status of unicorn startups in India
3. To highlight the initiatives taken by Government to develop Startups and Unicorns.
4. To highlight the reasons behind the rapid growth of unicorns in India

3. Research Methodology

The paper is based on secondary data obtained from research journals and websites. The data includes

the number of unicorns in India, their distribution across sectors, and growth trends by city.

4. Present Scenario of Unicorn Startups in India

New unicorn additions in India declined sharply in 2023, with only three companies reaching \$1 billion in valuation, compared to 24 in the previous year. The slowdown indicates a decline in the Indian startup ecosystem, as reported in the ASK Private Wealth Hurun Indian Future Unicorn Index 2023.

4.1 Unicorn Startup: Features and Facts

From the previous sections, you must have understood that unicorn startups are pretty distinctive compared to usual startups. In fact, startups become more inclined to walk on distinctive paths after they scale up and turn unicorns. The distinct characteristics of unicorn startups are as follows-

Privately Operated

The founders of unicorns rarely walk on the path of diluting ownership. General statistics convey the fact that startup unicorns across the globe remain privately owned for prolonged spans. Even if the founders of unicorn startups decide to go public through IPOs, they do it after reaching certain milestones. Most unicorn startups acquire funding from reputed venture capitalists to establish a valuation benchmark.

Tech-driven Operations

Startups backed by cutting-edge technology are more likely to achieve unicorn status. Based on IBEF's report, the total valuation of the startups in the Indian e-commerce market is supposed to go up to \$188 billion by 2025.

Potential startups ideally use technical advancement as a tool to grow exceptionally and turn unicorns. The most successful startups leverage the latest technology to offer seamless services to their users, and that helps them disrupt the market more conveniently.

Risk-takers

A vast majority of global unicorn startups aim to discover innovative target markets that are not generally targeted by existing businesses. Despite the risks involved in targeting unconventional markets, startup unicorns manage to maximize their profit margins with innovative problem-solving skills.

Simply put, they eventually get rewarded for the risk they bear while exploring a new domain. This is why startup unicorns are considered trendsetters. In fact, investors don't evaluate unicorn startups based on their financial parameters and analytics. Instead, they bet on these startups' compact business plans and revolutionary visions while investing.

Constant Service Upgradation

There's no saturation point of success for unicorn startups as they always aspire to become better. A startup unicorn doesn't usually have a preset growth limit, and such a startup can be scaled to new heights with on-time strategic implementations. In fact, the core purpose of most unicorn startups is to make people's lives as better as possible. Unicorn startups keep moderating and improvising their operations to fulfill their core goal.

Market Disruption

Unicorn startups make the market disruption process look smooth and effortless. They hold the potential to change the game entirely with innovations that are beyond imagination. The scalability of their innovations also remains unexpectedly high, helping them capture their target markets quickly.

5. Initiatives taken by the government to develop unicorns.

1. Atal Innovation Mission (AIM)

In 2016, NITI Aayog launched this Startup India Scheme, Atal Innovation Mission. The organisation has established this scheme to foster innovation by creating new programmes and policies to support development in several economic areas. It provides a forum for the cooperation of many players in the entrepreneurial sector.

Under this scheme, AIM grants approx ₹10 Crores financing to the chosen firms over five years. Emerging organisations in health, agriculture, transportation, education, etc., can apply for this scheme.

2. Startup India Seed Fund Scheme

The government of India introduced the Startup India Seed Fund Scheme in January 2021, hoping to support relatively early-stage enterprises. With a total budget of ₹945 Crores, it would finance 3600 businesses and 300 incubators.

The chosen entrepreneurs will receive up to ₹5 Crores in funding. Startups will get grants of up to ₹20 Lakhs for developing concepts or demonstrations and up to ₹50 Lakhs for growing their goods or services.

3. Startup India Initiative

As of June 2021, over 50,000 firms have been recognised via this plan, which provides tax benefits to entrepreneurs for a little more than five years. Additionally, it created 5.5L jobs too. Within this scheme, the maximum age for most eligible startups is now 7 years & for biotechnology companies is 10 years from the date of establishment. Its numerous benefits make it among the most incredible government-sponsored Startup India Scheme for business owners.

4. MUDRA Banks

The Micro Units Development Refinance Agency (MUDRA) enhances loan availability and promotes small business growth in rural regions. The primary goal: Assist small Indian businesses that desire to grow. The MUDRA banks offered loans for small businesses that aren't farms, microenterprises, or corporations in the amount of up to ₹10 Lakhs. The loan categories are called Tarun, Shishu, and Kishor.

5. Credit Guarantee Fund Trust for Micro and Small Enterprises

The CGTMSE Startup India Scheme offers zero-collateral business loans to MSME firms, amongst other loans. The goal is to allow businesses to acquire loans at heavily discounted interest rates without requiring collateral. To promote new enterprises and revitalise existing ones, the government has planned to work in conjunction with the SIDBI (Small Industries Development Bank of India) to grant a maximum sum of ₹100 Lakhs.

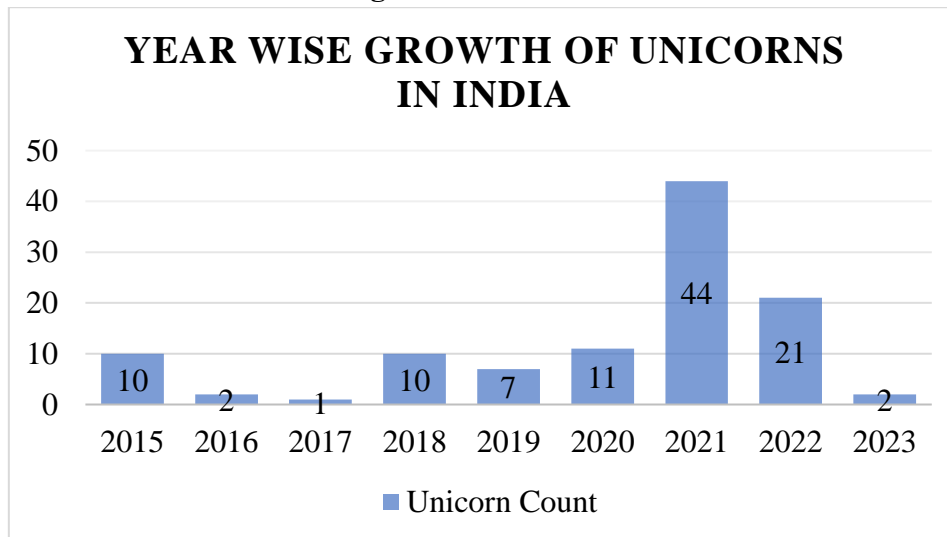
6. Aatmanirbhar Bharat App Innovation Challenge

The inauguration of the "Aatmanirbhar Bharat App Innovation Challenge" by India's Prime Minister, Narendra Modi, coincided with the 4th of July 2020, making that day a momentous one for Indian companies and the resources they acquired afterward. In conjunction with this event, Prime Minister Modi asked Indian start-ups to collaborate and create "Made in India" solutions that will benefit not just the individuals of India but also the rest of the globe. The competition was jointly announced as part of the Digital India mission by the Ministry of Electronics and IT and the Atal Innovation Initiative (AIM), a Niti Aayog programme. "Let us Code for an Aatmanirbhar Bharat," said the challenge's tagline, which was provided by the PM

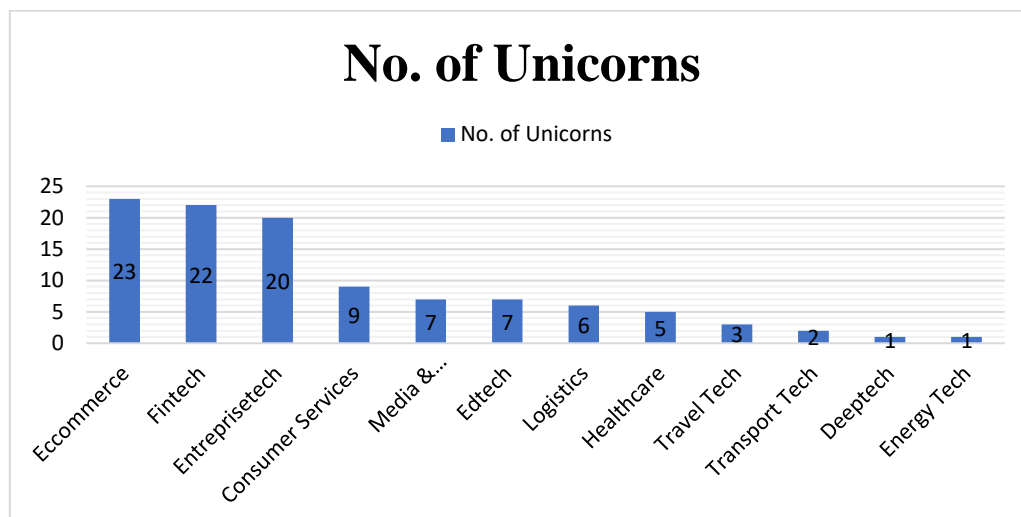
6. Factors influencing the transformation of start-ups into unicorns

- Consumers' use of digital services was expedited by the pandemic, assisting start-ups and new-age firms in creating customer-focused tech businesses.
- A large number of Indians have shifted to using online services, investigating a variety of offerings including food delivery, e-groceries, and Edu-tech.
- Increased user bases, accelerated corporate development plans, and investor attraction were all facilitated by the work-from-home culture for start-ups.
- Another factor that greatly benefited the unicorn was the development of digital payments.
- A number of investors are pushing the GBF (Get Big Fast) approach, which encourages companies to grow swiftly by raising substantial sums of cash and slashing prices in order to surpass rival companies in the market.
- Robust infrastructure is the key factor contributing to the rising number of unicorns in India. Due to strong support from Union and State Governments, the Infrastructure services for startups have grown beautifully.

Year-wise growth of unicorns in India



Sector wise count of Unicorns



7. Conclusion

The Indian Government is supporting start-up growth through various initiatives and action plans designed to address issues related to the start-up ecosystem. Initiatives like 'Atmanirbhar Bharat' and 'Make in India' encourage local entrepreneurs to think big. India's ranking on 'Ease of Doing Business' has improved significantly in recent years, further motivating start-ups to flourish in the years to come. This highlights the best elements of the Indian economy that foster and sustain the rise of unicorns. A significant rise in unicorn growth has been noticed in 2021, with a nearly equal number of unicorns growing in a single year as compared to the total number of unicorns since the inception of this concept. The credit goes to the rampant growth of digital infrastructure, increased online payment method usage, and increased number of smartphone users that pave the way for the rise of unicorns. Significant growth of unicorns has been noticed in e-commerce, fintech, and enterprise tech sectors, but a few unicorns have also emerged in other sectors like travel, real estate, edtech, transport, and energy. There is significant potential for unicorn growth in all these sectors, and future entrepreneurs should take advantage of this opportunity and streamline their efforts to become the proud owners of unicorns.

References

1. Patil S, Wadajkar V. INDIAN STARTUPS: SHINING UNICORNS. Published online 2021: 4. [2] ROLE OF UNICORN STARTUPS IN DEVELOPING THE COUNTRY'S STARTUP ECOSYSTEM. Accessed July 9, 2022. <https://cyberleninka.ru/article/n/role-of-unicorn-startups-in-developing-the-countrys-startup-ecosystem/viewer>
2. The Indian Unicorn Tracker. Inc42 Media. Accessed July 13, 2022. <https://inc42.com/the-indian-unicorn-tracker/>
3. Here Are The 42 Indian Startups That Entered The Unicorn Club In 2021. Inc42 Media. Published December 29, 2021. Accessed July 8, 2022. <https://inc42.com/buzz/indian-startups-that-entered-the-unicorn-club-in-2021-in-india/>
4. Sabrina Korreck, 2019, "The Indian Startup Ecosystem: Drivers, Challenges and Pillars of Support", ORF Occasional Paper No. 210, September 2019, Observer Research Foundation
5. <https://www.linkedin.com/pulse/indian-unicorn-story-its-rise-challenges-ahead-prabhakartiwari-pt/>