

Start Ups and Unicorns in India: A Study of Growth Pattern

Dr Kuljeet Kaur

Assistant Professor in Commerce, PCM SD College For Women Jalandhar, Punjab, India
kuljeet397[at]gmail.com

Abstract: *Start - ups action plan is a unique initiative of Government of India to foster the development of start - up culture in India. Through the adoption of special strategies like tax benefits, easy funding, least formalities the Government want to enhance the economic development through creation of such class of people who are job creators instead of job seekers. This easy entry to start - ups opens the way for development of Unicorns. Those private firms which have crossed the valuation of \$ 1 Billion are given the status of Unicorns. These Unicorns play an important role in the economic development of the country. The first Unicorn in India was born in 2011 but the year 2021 has shown the fast pace of growth of unicorns in India. The present paper will try to find out the year wise, sector wise and city wise growth pattern of Unicorns in India.*

Keywords: Start Ups, Unicorns, Enterprisetech, Fintech, Edtech

1. Introduction

Start - up India is a special project of the Indian government designed to create a robust business climate that is supportive of starting a firm, to create a significant number of jobs, and to accelerate India's economic growth. Through this programme of start - ups, the government seeks to improve all aspects of the economy in the nation. Through this programme, India will move toward producing a generation of job creators as opposed to job seekers.

Start - ups are businesses or endeavours that are concentrated on a certain good or service that the founders seek to market. These businesses often lack a fully formed business plan and, more importantly, sufficient funding to advance to the next stage of development. The founders of the majority of these businesses provide the initial funding. For additional investment, many entrepreneurs resort to friends, family, and venture capitalists. Start - ups have a significant risk because failure is highly likely, but they may also be very special workplaces with fantastic benefits, a focus on innovation, and excellent learning opportunities. The private start up firm that has surpassed a valuation of \$1 Billion is referred to as UNICORNS. The UNICORNS boom in India is being fueled by tech businesses, whose brands have gone mainstream. Strong executive leadership, state - of - the - art technology, and a focus on the customer define unicorns. These beginning business owners have a lot of opportunities, and they are most likely to take advantage of them.¹

2. Objective of the Study

- To highlight the initiatives taken by Government to develop Start ups and Unicorns.
- To analyse year wise growth of Unicorns in India
- To analyse sector wise growth of Unicorns.
- To identify cities with the greatest number of Unicorns in India.

3. Methodology

The paper is based on the secondary information retrieved from various research journals and websites. Further the secondary data regarding the number of Unicorns in India along with their sector wise distribution as well as city wise growth has been collected from online resources.

Start Ups in India: A Discussion

The Government of India has unveiled a 19 - point Start - up India Action Plan, which calls for the establishment of several incubation facilities, easier patent protection, self - certification of new businesses, the elimination of capital gains taxes, tax exemptions for new businesses, the creation of a special Corpus fund for new businesses, and other measures. Further, for successful implementation of start - up scheme the government has collaborated with IITS (Indian Institutes of Technology), NITS (National Institutes of Technology), IISER (Indian Institutes of Science Education and Research), and NIPERS (National Institute of Pharmaceutical Education and Research) to establish various innovation hubs across the nation.

The goal of all these initiatives is to make doing business easier in India by reducing obstacles. The programme gives young people a forum to display their talents and skills and to apply for MUDRA Scheme loans at lower interest rates. This programme intends to offer small - scale emerging entrepreneurs microloans with low interest rates. Additionally, it offers tax breaks for the first three years of operations.

The aim of the Indian government is to boost employment and make India a more accessible country making it simpler to invest in India. Many entrepreneurs are taking benefits of the advantages of starting a business in India thanks to this initiative, which has fostered an environment for creative ideas. Gujarat has held the top spot in the State Start up Ranking for 2018–19, according to the DIPP (Department of Industrial Policy and Promotion) Start - up State Rankings. India has emerged as the 3rd largest ecosystem for start - ups globally with over 72, 600 Department for Promotion of

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Industry and Trade (DPIIT) - recognized start - ups across 649 districts of the country as of 27th June 2022²

Emerging Indian Unicorns

While the pandemic's effects on work from home policies drove the development of digital enterprises in India, the catastrophe also produced a lengthy Unicorn list. The main drivers of investment interest are a growing digital payments infrastructure, a sizable smartphone user base, and digitally first business models. ³Today, India is the birthplace of 10%

of all unicorns worldwide. Overall, the number of startups joining the unicorn club has increased exponentially since 2021.

Year wise Growth of Unicorns in India

As of 29th June 2022, India is home to 103 unicorns with a total valuation of \$ 335.80 Bn. Out of the total number of unicorns, 44 unicorns with a total valuation of \$ 93.00 Bn were born in 2021 and 17 unicorns with a total valuation of \$ 22.00 Bn were born in 2022. (as of 29th June 2022). ⁴

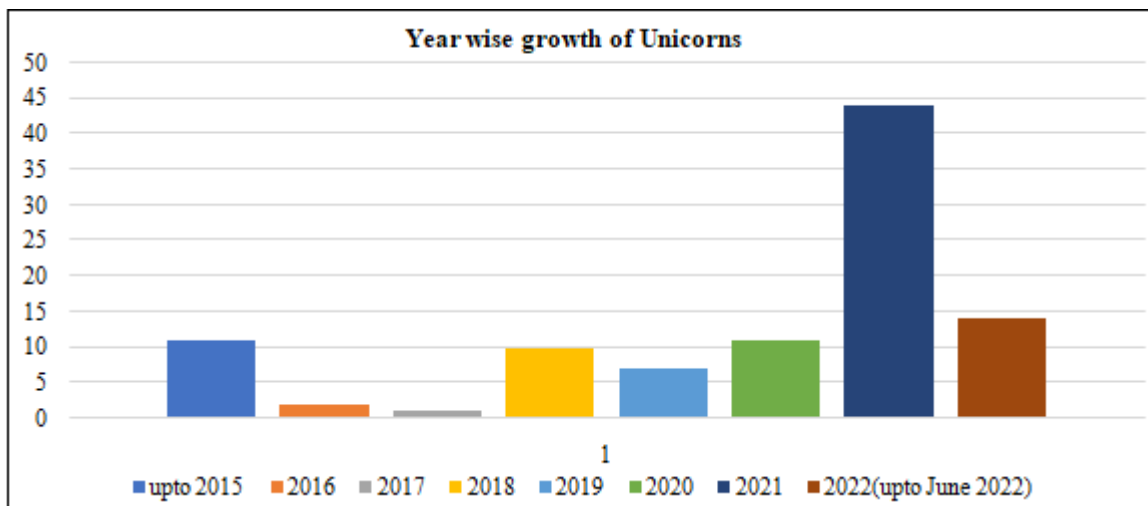


Diagram 1

Source: ⁴

Diagram 1 depicts the growth of Unicorns from the period of the inception of the concept of Unicorn upto June 2022. The journey of Unicorns in India started in 2011 but 11 firms have attained the status of being a Unicorn until the year 2015. Major among them include Paytm, Quickr and Zomato. As far as year 2016 is concerned two start - ups emerge as Unicorns namely Hike and Shopclues whereas only one firm namely Renew Power reached the status of Unicorns in 2017. There was a sudden rise in number of Unicorns in 2018 which reached to 10 in this year. The Unicorns emerging in this period include Billdesk, Byju's, OYO, Phone Pe, Policy Bazaar, Swiggy to name a few. In 2019 seven Unicorns came into limelight major among them include Delhivery, Ola Electric and Lenskart whereas in 2020 eleven Start - ups including Cars24, First Cry, Nykaa, Unacademy joined the Unicorns hub. In the year 2021 a major jump was noticed in the number of firms emerging as Unicorns. This is because the epidemic has dramatically expanded the usage of smartphones due to work home

culture and the digitization of trade in all spheres of life. Some of the major Unicorns that emerge out in 2021 are Bharatpe, Cred, Mamaearth, Meesho, MobiKwik, ShareChat etc⁵. And in 2022 as per data available Fourteen Unicorns have taken birth till June 2022 including Amagi, Games24X7, Zoho. The list is exhaustive still many more Unicorns are on the way of emergence.

Sector wise growth of Unicorn

Unicorn growth is noticed in many unconventional sectors like Fintech, Enterprisetech, Consumer services, Media & Entertainment, Edtech, Data Management, Logistics, Health tech, e - commerce groceries, SaaS (Software as a Service). Cryptocurrency Exchanges, Cloud Kitchens, content gaming, hospitality, and many others are also entering into the unicorn area. In addition to this banking, Travel Tech, Transport Tech, Real estate Tech and marketplace firms make up the majority of unicorn contributors.

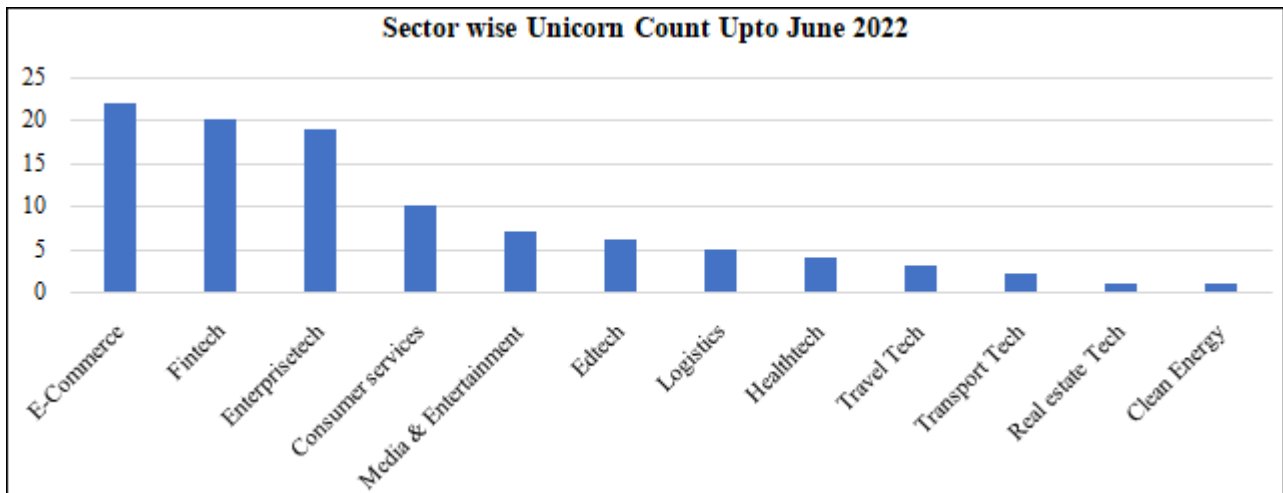


Diagram 2

Source: ⁴

Diagram 2 clearly indicates that the largest number (i. e.22) of Unicorns are E - Commerce firms. These are those firms which are engaged in online buying and selling of goods and services. Examples of such famous Unicorns are Firstcry, Nykaa, Mamaearth, Meesho, Snapdeal, Shopclues etc. Second largest count of Unicorn firms i. e, 20 relates to the Fintech Sector which includes famous names like Paytm, Phonepe Bill Desk, MobiKvik, Cred, Bharatpe, Policy Bazaar etc. Next comes the number of Enterprisetech with 19 Unicorns. Enterprisetech is the name given to the enterprises which are engaged in providing technological services for streamlining workflows, providing access to data and improving communications. Examples of such Unicorns are Freshworks, Postman, Apna, Amagi, Zoho etc. All these three sectors including E - Commerce, Fintech and Enterprisetech have nearly 20 Unicorns in each category followed by the Consumer Service Sector which holds fourth place in Unicorn development. This includes firms like Quikr, Zomato, Big Basket, Urban Company etc. Media & Entertainment, Edtech and Logistics are next sectors in line having 7, 6 and 5 Unicorns in number. Major Unicorns in Edtech sector include Byju's, Unacademy and Vedantu

whereas major Unicorns in Media & Entertainment Sector include Hike, Dream11, ShareChat, Games 24X7, Mobile premier League. Most popular Unicorn examples of Logistics sector are Delhivery and Xpressbees. Other sectors having a small number of Unicorns include Healthtech, Travel Tech, Transport Tech, Real estate Tech, Clean Energy. The famous examples of Healthtech are Pharmeasy and Cure. Fit., Travel Tech include firms like MakeMyTrip, OYO, Easemytrip. Examples of Transport Tech are Ola and Ola Electric. Only one firm in Real estate Tech i. e. Nobroker have attained the status of Unicorn. Similarly Renew Power is the only Unicorn in Energy Sector. So, it can be inferred out that Unicorns have grown up in almost all the sectors but still growth in some sectors is more significant as compared to other sectors.

City wise Growth of Unicorns

According to The Global Startup Ecosystem Report of 2022 the three Indian cities including Bengluru, Delhi and Mumbai have made it to the list of top 40 startup ecosystems in the world. ⁶ Since these Indian cities are having maximum startups, so is the growth of Unicorns in these cities.

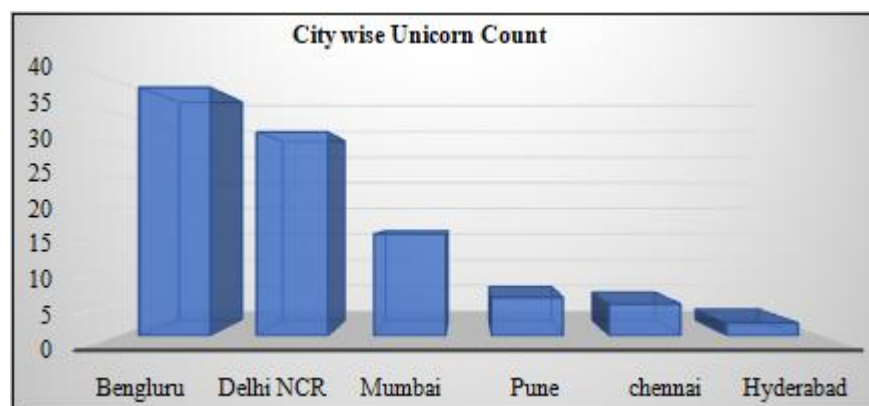


Diagram 3

Source: ⁴

Diagram 3 depicts the city wise growth of Unicorns. It is evident from the diagram that maximum number of Unicorns i. e.39 have their base or Headquarter in the Bengluru followed by Delhi which is home for 32 Unicorns. The famous Unicorns like Quikr, Swiggy, BigBasket,

Meesho, Vedantu, Byju's, Phonepe, Unacademy, Ola etc. have their headquarters in Bengluru. The famous Delhi based Unicorns include Zomato, Urban Company, Snapdeal, Lenskart, Car24, Paytm, Policy bazaar, Delhivery, MakeMyTrip, OYO etc. Mumbai is the third best destination

where 16 Unicorns have grown till June 2022. Examples of famous Mumbai Based Unicorns include Nykaa, Dream11, Billdesk, Pharmeasy, Games24X7 etc. Pune, Chennai and Hyderabad are having 6, 5 and 2 Unicorns respectively till June 2022. Pune based Unicorns include Firstcry, Xpressbees whereas Freshworks and Zoho are Chennai based famous Unicorns. Hyderabad is having just two Unicorns till date which are both Enterprise tech firms namely Zenoti and Darwinbox

The above discussion shows that Unicorn turned start - ups are mainly confined to big cities and places but now a days start - ups are moving from big cities to small cities, because of lower operating costs and better work - life balance is attracting them towards smaller cities and towns. Apart from that less competition and room to grow is also a key.⁷

4. Conclusion

The Government of India is empowering the start - ups growth in India through various initiatives and Action Plans designed to address all the issues related to Start up ecosystem. The Action Plan basically covers the simplification of procedures, giving support in the form of various fundings and incentives as well as the Industry - Academia Collaborations.⁸

This emphasizes the best elements of the Indian economy that foster and sustain the rise of the Unicorns in India. A steep rise in the Unicorn Growth has been noticed in the year 2021 where almost equal number of Unicorns grow in a single year as compared to the total number of unicorn growth since inception of this concept. The credit goes to the rampant growth of digital infrastructure, increased online payment method usage and increase number of smart phone users paving way to the rise of Unicorns. Further a significant growth of Unicorns has been noticed in E - Commerce, Fintech and Enterprisetech sector but still a few Unicorns have emerged in other sectors like Travel, Real Estate, Edtech, Transport, Energy sectors. There is a large potential for growth of Unicorns in all these sectors. So future entrepreneurs must take advantage of this and their efforts must be streamlined in such a way that they can also become the proud owners of Unicorns. The paper also depicts that most of the Unicorns have grown in big cities where start up opportunities are more but now a days start - ups are also attracted toward small cities and towns due to many incentives given by the Government, low operating costs of start - ups and easy availability of local resources and manpower. So, in future we can expect growth of potential Unicorns in small cities and towns as well.

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