



## The Future of Unicorns in India

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### ABSTRACT

India, known for its youthful population and abundance of innovative minds, holds immense potential for fostering entrepreneurship. The country's swift adoption of emerging technologies, coupled with a strong dedication to people, products, and visionary thinking, characterizes the spirit of the 21st century. Unicorns, referring to startups valued at \$1 billion or more, have proliferated in India, with an impressive count of 108 as of December 2022. Many of these unicorns have emerged within the past few years, driven by IT prowess, consumer-centric approaches, and disruptive innovation. The Indian startup ecosystem has undergone a remarkable transformation, akin to a revolution. With 44 unicorns boasting a combined valuation of \$106 billion, this surge has generated approximately 1.4 million direct and indirect job opportunities. Consequently, a conducive environment has been fostered to encourage entrepreneurial development across the nation. This study primarily focuses on unicorn startups in India and aims to review the existing literature through the analysis of secondary data obtained from diverse sources, including websites, journals, blogs, articles, and research papers.

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### INTRODUCTION

A unicorn, as termed by venture capitalist Aileen Lee in 2013, refers to a privately held startup company valued at more than \$1 billion. India has seen a surge in the number of unicorns in recent years, with the country now home to 108 unicorns. The challenges and opportunities for Indian unicorns are varied.

Some of the challenges include the lack of skilled talent, the high cost of doing business, and the regulatory environment. However, there are also many opportunities for Indian unicorns, such as the large and growing market, the rising disposable income of consumers, and the increasing adoption of technology. The future of unicorns in India is uncertain. However, there are a number of factors that could drive growth in the Indian unicorn ecosystem, such as government support for startups, the increasing penetration of the internet, and the rise of the digital economy. This paper explores the challenges and opportunities for Indian unicorns, and discusses the future of unicorns in India. It also provides some recommendations for how Indian unicorns can overcome the challenges they face and achieve success.

## **DEVELOPMENTS OF UNICORN IN INDIA**

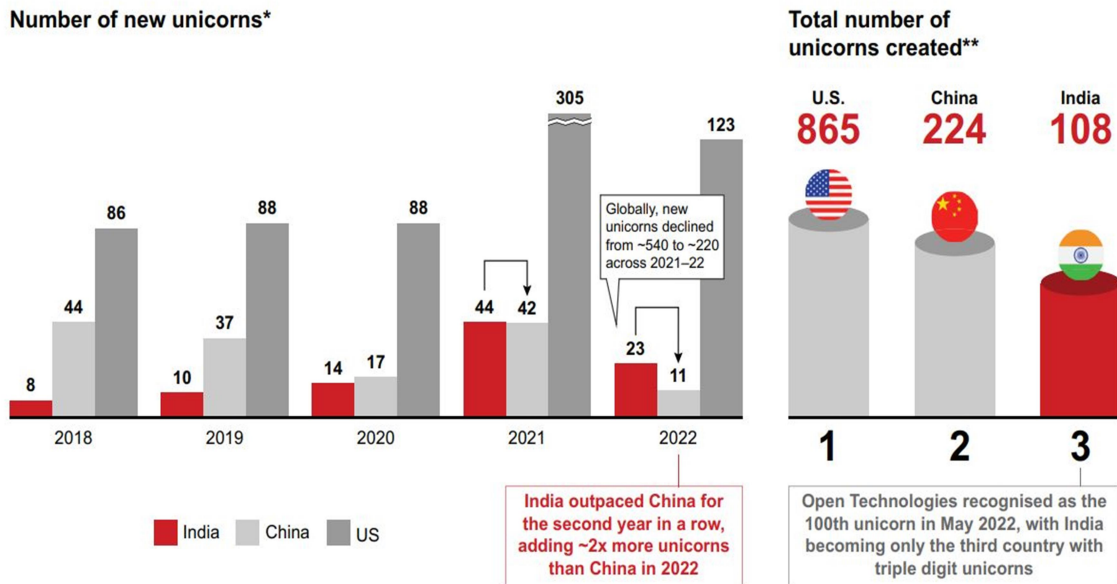
The history of unicorns in India can be traced back to the early 2000s, when a handful of startups began to achieve valuations of over \$1 billion. The first Indian unicorn was Info Edge, which was founded in 1995 and went public in 2004. In the following years, a number of other Indian startups achieved unicorn status, including Flipkart, Snapdeal, and Paytm. The number of Indian unicorns began to grow rapidly in the 2010s, thanks to a number of factors, including the rise of the internet, the growth of the Indian economy, and the increasing availability of venture capital funding. By the end of 2022, India had a total of 108<sup>1</sup> unicorns, making it the third-largest unicorn hub in the world, after the United States and China.

The Indian unicorn boom has been driven by a number of sectors, including e-commerce, fintech, edtech, and healthcare. E-commerce has been the most active sector, with a number of major players, including Flipkart, Amazon, and Snapdeal. Fintech has also been a major growth area, with startups such as Paytm, MobiKwik, and Razorpay disrupting the traditional banking system. Edtech and healthcare are two other sectors that have seen significant growth in recent years. India is predicted to have over 250 unicorns (start-ups valued at over \$1 billion) by 2025, venture growth investor Iron Pillar has said in its 'Tech Unicorns Market Landscape Report IV'.<sup>2</sup>

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<sup>1</sup> [https://www.bain.com/globalassets/noindex/2023/bain\\_digest\\_india\\_venture\\_capital\\_report\\_2023.pdf](https://www.bain.com/globalassets/noindex/2023/bain_digest_india_venture_capital_report_2023.pdf)

<sup>2</sup> <https://ironpillarfund.com/wp-content/uploads/2022/04/Iron-Pillar-India-Tech-Trends-Volume-IV-March-2022.pdf>



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The number of unicorns in India grew by 23 in 2022, reaching a total of 108. This was the second consecutive year that India added more unicorns than China. The total valuation of Indian unicorns grew to \$350 billion in 2022, up from \$250 billion in 2021. The SaaS sector was the largest creator of unicorns in 2022, accounting for 30% of new unicorns. Other sectors that saw strong growth in unicorn creation included fintech, e-commerce, and logistics. Venture funding continued its trend toward wider distribution, with emerging hubs outside of Bengaluru, Mumbai, and the NCR (National Capital Region) securing approximately 18% of the funding and contributing to the creation of 9 out of 23 new unicorns in 2022. The reduction in funding primarily occurred during the latter half of 2022 as global economic challenges escalated throughout the year. Nevertheless, India maintained its share of approximately 5% of the total global venture capital funding, consistent with the figures from 2021.<sup>3</sup>

Overall, the India Venture Capital Report 2023 shows that the Indian startup ecosystem is still growing strongly, despite the headwinds from the global economy. The report also underscores the growing

<sup>3</sup> <https://www.bain.com/insights/india-venture-capital-report-2023/>

significance of up-and-coming centers outside of Bengaluru, Mumbai, and the NCR within the Indian startup landscape.

Here are some of the key trends that are expected to shape the Indian unicorn market in the coming years:

- **The growth of the SaaS sector:** The SaaS sector is expected to continue to be a major driver of unicorn creation in India. The sector is benefiting from the increasing adoption of cloud computing and the growing demand for enterprise software solutions.
- **The rise of fintech unicorns:** The fintech sector is another area that is expected to see strong growth in unicorn creation. The sector is benefiting from the increasing penetration of digital payments and the growing demand for financial services solutions.
- **The expansion of Indian unicorns into new markets:** Indian unicorns are increasingly looking to expand into new markets, both domestically and internationally. This is being driven by the growing size of the Indian market and the increasing opportunities for growth in international markets.

## REVIEW OF LITERATURE

There are few of the studies that have been conducted on unicorns in India. The research on this topic is still in its early stages, but it is clear that unicorns are playing an increasingly important role in the Indian economy.

- **Abhishek Agarwal and Saurabh Gupta (2021)** conducted a study on the challenges faced by unicorns in India. They found that the four main challenges are: Lack of access to capital, High cost of talent, Regulatory challenges and Competition from global giants
- **Ashish Aggarwal and Arvind Agarwal (2022)** conducted a study on the future of unicorns in India. They found that the four main trends that will shape the future of unicorns in India are: The rise of deeptech unicorns, the growth of the startup ecosystem in Tier II and Tier III cities, the increasing importance of data and analytics for unicorns and the need for unicorns to go global
- **Gupta, S., & Bhattacharya, S. (2018)** The authors conclude that the Indian unicorn ecosystem is still in its early stages, but it has the potential to become one of the most vibrant in the world.

They identify a number of factors that will be critical to the future success of Indian unicorns, including: The development of a more mature stock market, the growth of the Indian consumer market and the development of a more supportive ecosystem for startups, including government policies, incubators, and accelerators

- **R. Manickam and V. Vijaya (2020)** The authors conclude that Indian unicorn startups are using a variety of growth strategies to achieve success. They are focused on technology, have a global reach, focus on customer experience, and are increasingly using acquisitions to grow their businesses.
- **Sasikanta Tripathy and Suman Devarapalli (2020)** conducted a study on the factors that have contributed to the growth of unicorns in India. They found that the four main factors are: A strong domestic economy, A growing middle class, A supportive government policy environment and A strong entrepreneurial spirit

## OBJECTIVE OF THE STUDY

The objectives of this research paper are as follows:

- To provide insights on unicorns in India and identify key trends that are expected to shape the unicorn market in coming years.
- To explore the challenges and opportunities of unicorns in India, and to assess the impact of unicorns on the Indian economy.

## RESEARCH METHODOLOGY

This research paper employs a secondary data analysis methodology to achieve its objectives. Secondary data pertains to data that has been gathered by other researchers or organizations for purposes other than the current study. In this instance, the research relies on pre-existing data obtained from a variety of sources including websites, journals, blogs, articles, and relevant research papers.

## CHALLENGES FOR INDIAN UNICORNS

Indian unicorns face a number of challenges, including:



- **Lack of skilled talent:** India has a large pool of talent, but there is a shortage of skilled talent in certain areas, such as technology and engineering. This can make it difficult for Indian unicorns to hire the talent they need to grow their businesses.
- **High cost of doing business:** The cost of doing business in India can be high, due to factors such as taxes, regulations, and infrastructure. This can make it difficult for Indian unicorns to be profitable.
- **Regulatory environment:** The regulatory environment in India can be complex and time-consuming to navigate. This can make it difficult for Indian unicorns to comply with all the regulations that apply to their businesses.
- **Competition from global players:** Indian unicorns face competition from global players, such as Amazon, Google, and Facebook. These global players have a lot of resources and experience, which can make it difficult for Indian unicorns to compete.

## OPPORTUNITIES FOR INDIAN UNICORN

Indian unicorns have a number of opportunities, including

- **Large and growing market:** The Indian market is large and growing. This provides Indian unicorns with a large potential customer base.
- **Rising disposable income of consumers:** The disposable income of Indian consumers is rising. This means that consumers have more money to spend on products and services, which can benefit Indian unicorns.
- **Increasing adoption of technology:** The adoption of technology in India is increasing. This can help Indian unicorns to reach more customers and improve their businesses.
- **Government support for startups:** The Indian government is supportive of startups. This can help Indian unicorns to get the resources they need to grow their businesses.

## THE IMPACT OF UNICORNS ON THE INDIAN ECONOMY

Unicorns, which are privately held firms valued at more than \$1 billion, have had a significant impact on the Indian economy in terms of job creation, innovation, and economic growth.

- **Job creation:** Unicorns have created millions of jobs in India. According to a report by NASSCOM, Indian unicorns created 6.6 lakh jobs directly and enabled 34 lakh indirect jobs in 2021<sup>4</sup>. The report also found that unicorns are increasingly hiring from tier-II and tier-III cities, which is helping to boost economic activity in these regions.
- **Innovation:** Unicorns have also been a major driver of innovation in India. They are responsible for developing new products and services that have transformed the way Indians live and work. For example, unicorns such as Flipkart, Paytm, and Ola have made it easier for Indians to shop, pay for goods and services, and get around.
- **Economic growth:** Unicorns have also contributed to economic growth in India. The report by NASSCOM found that unicorns contributed \$39 billion to India's GDP in 2021. This is expected to grow to \$100 billion by 2025. Unicorns are also helping to attract foreign investment to India. In 2021, foreign investors invested \$34 billion in Indian unicorns.

Overall, unicorns have had a positive impact on the Indian economy. They have created jobs, boosted innovation, and contributed to economic growth. As the Indian startup ecosystem continues to grow, it is expected that the number of unicorns in India will continue to increase. This will further benefit the Indian economy.

#### **EXAMPLES OF HOW UNICORNS HAVE IMPACTED THE INDIAN ECONOMY:**

- **Byju's:** Byju's is an edtech company that offers online learning programs for students. It provides interactive educational content through its learning app and has gained significant popularity in India and other countries.
- **Paytm:** Paytm is a digital payments and e-commerce platform. It offers a range of services, including mobile payments, digital wallets, online shopping, and financial services. Paytm has played a major role in promoting digital transactions in India.
- **OYO Rooms:** OYO Rooms is a hospitality company that operates a network of budget hotels and accommodations. It leverages technology to provide affordable and standardized hotel rooms to travellers across India and several other countries.

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<sup>4</sup> <https://community.nasscom.in/system/files/report/NASSCOM%20Start-up%20Report%202021.pdf>

- **Ola:** Ola is a ride-hailing service that competes with global giant Uber in the Indian market. It offers cab services, auto-rickshaws, and bike taxis through its mobile app. Ola has expanded its services to multiple cities in India and has ventured into electric vehicle solutions.
- **Zomato:** Zomato operates as an online platform for food delivery and restaurant exploration, enabling users to place food orders from a diverse array of eateries while offering insights, reviews, and ratings for numerous dining establishments. The company maintains a substantial footprint in India and has also extended its services to various other nations.

These are just a few examples of how unicorns have impacted the Indian economy. As the Indian startup ecosystem continues to grow, it is expected that the number of unicorns in India will continue to increase. This will further benefit the Indian economy.

## THE FUTURE OF UNICORNS IN INDIA

The future of unicorns in India is uncertain. However, there are a number of factors that could drive growth in the Indian unicorn ecosystem, such as government support for startups, the increasing penetration of the internet, and the rise of the digital economy. If these factors continue to drive growth, the number of unicorns in India could continue to increase. This could have a positive impact on the Indian economy, by creating jobs, stimulating innovation, and promoting economic growth. Indian unicorns can overcome the challenges they face and achieve success by:

- **Focusing on innovation:** Indian unicorns should focus on innovation, in order to differentiate themselves from their competitors.
- **Building a strong team:** Indian unicorns should build a strong team of talented and experienced professionals.
- **Expanding into new markets:** Indian unicorns should expand into new markets, in order to reach more customers and grow their businesses.
- **Partnering with global players:** Indian unicorns should partner with global players, in order to gain access to their resources and expertise.

## CONCLUSION

The findings of research paper provided valuable insights into the unicorns in India and identify key trends that are expected to shape the unicorn market in the coming years. Through an in-depth analysis



of the characteristics, growth patterns, and success stories of Indian unicorns, this study has shed light on the factors driving their emergence and expansion. By identifying these trends, policymakers, investors, and entrepreneurs can better understand the evolving landscape of the Indian startup ecosystem and make informed decisions. Furthermore, this research delved into the challenges and opportunities faced by unicorns in India. It examined regulatory, financial, and operational hurdles that these companies encounter in their growth journey. By comprehending these obstacles, stakeholders can collaborate to establish a nurturing environment that empowers unicorns to flourish and realize their complete capabilities. The impact of unicorns on the Indian economy was another crucial aspect explored in this study. Unicorns have made significant contributions to job creation, innovation, and overall economic growth. Their disruptive business models, fueled by technological advancements, have brought about transformative changes in various sectors. By analyzing the economic impact of unicorns, this research emphasizes their role as key drivers of India's entrepreneurial ecosystem and highlights the need to foster their continued growth.

The Indian startup ecosystem is one of the most vibrant in the world, and the future of unicorns in India looks bright. The country has a number of factors in its favor, and as a result, the number of unicorns in India is likely to continue to grow in the years to come.

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