



ARE STARTUP'S THE NEW FREEDOM FIGHTERS? WILL THEY AID INDIA IN ACHIEVING ITS MACROECONOMIC GOALS OF REDUCTION IN POVERTY, INEQUALITY, AND IMPROVING EFFICIENCY?

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ABSTRACT This paper attempts to analyse the impact of the growth of unicorns in India, in recent years, and the way they can be used to achieve its major economic goals. The goals that the Indian economy is aiming for are basically reduction in poverty and unemployment levels. This would in turn lead to higher GDP levels of the economy. Unicorns in education and health, the two most important social indicators, would go a long way in achieving these goals.

KEYWORDS :

INTRODUCTION

The Indian economy in recent years has witnessed a phenomenal rise in the number of unicorns. Unicorns is the term used in the venture capital industry to describe a startup company with a value of over \$1 billion. This term was first coined by venture capitalist Aileen Lee in 2013. This term is a recent coin, not even a decade old. But since it has been coined it has taken the venture capitalist world by storm. All companies strive hard to achieve this status. There are more than 1000 unicorn companies as of March 2022. The word is originally coined from the mythical animal called the unicorn. It has been depicted as a mythological animal that resembles a horse or a goat with a single horn on its forehead. It symbolizes purity and grace that runs very fast. The term Unicorn in the business world also symbolizes something that cannot be achieved easily. It is difficult to attain and is also elusive. By striving hard and trying to reach for the impossible is what the term signifies.

Fig 1: Image of a mythical unicorn



Source: Google image

In India the year 2019, 2020, 2021 has seen the maximum number of startups that have reached the status of Unicorns. There are 68 Unicorns in India, with 30 new additions in 2021 and 6 companies that have already become Unicorns in 2022. These numbers are increasing all the time. In fact, India has emerged as the third largest ecosystem for startups globally. Amongst this feat India ranks second in innovation quality. These innovations are just not limited to certain sectors. They are spread over a large variety of areas, from healthcare and life sciences, education, professional and commercial services, agriculture and food and beverages. It is these diverse areas that could put these Unicorns in the category of freedom fighters.

Freedom fighters as far as India is concerned are those people who helped India attain freedom from the colonial rule of the British. These people came from all walks of life with the single-minded determination to obtain freedom from the oppressiveness of the British colonial regime. Today's freedom fighters are those that will help the Indian economy to lift its citizens from abject poverty. This requires jobs to be created so that income increases, savings are generated leading to increased investment and further growth.

The major issues that are facing the Indian economy are with respect to jobless growth, as well as inadequate social indicators namely health and education. It is with this in mind that Unicorns could be labelled the next generation freedom fighters.

MACROECONOMIC GOALS OF THE INDIAN ECONOMY

At the time of India's independence, there were several issues facing the economy. Starting from the first five-year plans, the Indian economy was always battling with its macroeconomic goals. It is from the 1980's where an attempt was made to initiate the reform process. But it is only in the 1990's where major reforms took place. These reforms integrated the Indian economy with the rest of the world. India undertook liberalization and globalization, so that it could reap the fruits of being part of the world economy. All this was an attempt to grow at a rapid pace and along with this growth the country would be able to completely eradicate poverty, reduce unemployment, as well as reduce income inequalities.

The Indian economy has undergone major macroeconomic and structural reforms since the balance of payment crisis of 1991. Trade industrial policies have been liberalized. During this period many restrictions were completely dismantled, the major example being the permit and the license system. This helped in placing the economy on a high growth trajectory. This resulted in the annual growth rising from 5.7% in 1990-2004 period to close to 9% during the 2003-2008 period. The reforms that started in 1990 not only did it integrate the Indian economy with the world economy, but it also brought in its wake the passing down of any turbulations felt by the developed world. The saying goes that if America sneezes the rest of world catches a cold. With the progress of information technology, the world became closer in every aspect. This was in terms of financial transactions as well as the use of superior research and development with respect to manufacturing, defense, education, and health to name a few. It is in fact in every aspect of our lives that we feel the impact of globalization.

The period that experienced the maximum growth was from 2003-2008. It was during this time that the Indian economy was booming. Gross Domestic Product reached the levels of approximately 9% per annum. The services sector played an important role. It is due to this sector that the Indian economy has integrated with the world economy. The phenomenal growth achieved after liberalization has been unprecedented. The services sector helped in accelerating the overall growth rate of the economy. The main areas that have experienced phenomenal growth in the services segment have been information technology and Business processing outsourcing (BPO).

The figures for the growth rate of the services sector indicate that its compound annual growth rate (CAGR) has continuously been on the rise. In the 1980's it was 6.2%, in the 1990's it was 7.3%, and during the period 2001-2016 it rose to 8.7%. Indicated in a tabular form below:

Table 1: GROWTH OF THE SERVICES SECTOR IN INDIA.

YEAR	CAGR
1980	6.2%
1990	7.3%
2001-20016	8.7%

Source: Rupa Chanda in Indian Economy since Independence, Uma Kapila (ed) Within the services sector the main components of growth have been communication, banking and insurance, construction, and trade and distribution services.

Most economies on the path to development first achieved growth in the manufacturing sector and then moved to the services sector. Most

policy makers thought that India had leapfrogged which essentially means that it had skipped the normal trodden path of shifting from the agriculture sector to growth of the manufacturing sector and then to the services sector. During the period of the 2000's India's growth chart of the services sector seemed that the economy had straightaway reached the levels of the advanced countries. The growth path essentially means that the share of the agriculture sector in its contribution to GDP (Gross Domestic Product) as well as in the number of workforce dependent on it, essentially decreases, and the share of the other two sectors namely the manufacturing and the services sector increase. This is the normal pattern that has been followed by economies that have achieved the status of an industrialised economy.

In the case of the Indian economy the growth rates from 2003-2008 were unprecedented. But these rates were not sustainable, and the economy then started slipping, and the growth rate started falling to 6% and 7%. The concern was to achieve a sustainable growth rate. This according to economists could only be achieved if along with growth of the services sector, there should be a corresponding growth in the manufacturing sector, with no slackening of growth rate of the agriculture sector. The path chosen for the Indian economy in 2003-2008 was mainly growth in the services sector, with hardly any contribution from the manufacturing sector. This void had to be addressed to achieve high sustainable growth rates.

These levels could only be achieved by the growth of the manufacturing sector, and the Indian economy should follow the traditional path of growth, where in the share in GDP, as well as the employment share should move from the agriculture sector to the manufacturing sector and finally to the services sector. But what was also analysed is that as our services sector had made such an important place for itself in the world economy, it was imperative to use these enhanced skills of this sector in the domestic economy by integrating it with the manufacturing sector. Thus, making it a more viable path for the economy to progress. With the integration of the high value services sector with the manufacturing sector it would make an impact on reducing the employment levels of the economy. This would go a long way in achieving the country's major macro-economic goals. It is with this in mind that the 'unicorn' status of companies should be used.

Growth of Unicorns from 2019 in India



Source: Google image

India's startup ecosystem had started scaling up in 2019. There were seven new unicorns which were added by August 2019. These were taking advantage of the fast-paced dynamic Indian economy which as mentioned earlier had developed due to a very vibrant Information Technology sector. Though most of the Unicorns has been in the Fintech sector, there are many of them which developed in the education and health care space. Besides this the growth in the ecommerce, gaming and the space segment have also started developing.

Growth of Unicorns from 2011 to 2022 in India.

There has been a phenomenal growth of unicorns from 2011 onwards. An attempt has been made to list the names of all the unicorns since then (Fig 2). In going through the list, one sees a growing number being concentrated in the education and health sector. This was apparent after 2019 (the pandemic year). This trend will go a long way in achieving goals that the economy has set out.

The three most important factors are:

(1) A thriving digital payments ecosystem. The increase of a large smartphone user base has led companies an access to a huge number of people both in Tier1 and Tier 2 cities.

(2) Increasing use of the digital payment system. The only recourse during the pandemic was to adopt digitalisation and the UPI (Unified Payment Interface), mode of transferring funds. This helped several startups to attain unicorn status as they achieved greater innovations in this sphere.

3) Digital first business models. These essentially mean creating a value-based system which improves the customer's experience. It has helped in increasing customer satisfaction.

In 2020 the world economy was undergoing a great turmoil. They were faced by unprecedented challenges, and nothing seems to be working according to a plan. Amongst the most important developments were in the education sector. Education shrunk into online platforms and as this occurred the opportunities became limitless in this sphere. This is particularly true about distance education as well as accessibility to premium education.

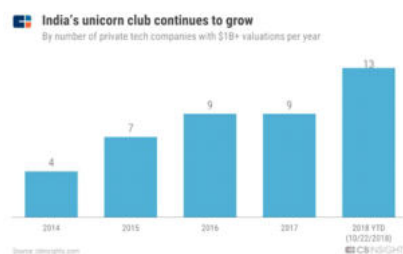
The other areas that startups started expanding were in cheaper alternatives to products like used cars an example being 'Cars 24'. This took advantage of the used car market, and it was a savior for those who had reduced income due to the Pandemic, and as they could no longer afford a new car, the next best alternative was provided by a trustworthy, authentic company in the form of 'Cars 24' and other similar platforms.

Taking advantage of the fact that people were confined indoors there were startups which developed in the gaming sphere, the OTT (Over the Top), this essentially delivers content over the internet.

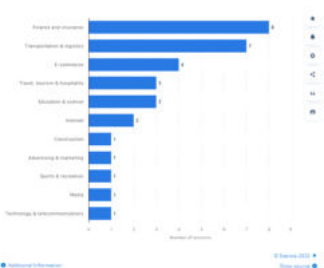
In 2021 India saw the third largest growth of unicorns. There were 42 Indian unicorns in 2021. The total number reached 54 by the end of 2021. These were in the traditional sectors such as Fin-tech, E-commerce, Supply chain & logistics, Internet software and services. But the new areas that these new startups have emerged are the gaming industry, space technology, and the OTT platform.

By March 2022 there were already 14 startups which had achieved unicorn status. Studies indicate that there might be more than 50 startups that might achieve unicorn status. This indicates the growing thirst for entrepreneurship, the ability to excel and the changing economic, social, and political environment that have aided this growth.

Figure 2; Growth of unicorns from 2011 to 2022



Sector wise division



The figures above are indications of the unicorn status of Indian companies till 2018, as well as a sector wise break up in which areas they have developed. The sudden increase after 2018 is indicated in Figure 2, where all the companies that have attained status have been mentioned.

Impact on social indicators

There have been several unicorns that have developed in India that have changed the mindset of all sections of society and are in the process of impacting various macro-economic goals. These are primarily to do with reduction in poverty levels, reduction in unemployment, as well as increasing employment opportunities in the agricultural sector. This will reduce migration from the agriculture sector.

Several of them have developed in the education sector. Some of the more well-known ones are BYJU'S, UPGRAD, UNACADEMY, VEDANTU. The purpose of most of them is to provide quality education at a cheaper rate. Earlier this role was being provided by tuition centers. In these centers the student paid a hefty sum, and it was a replication of overcrowded classrooms, inadequate attention by the teacher etc. During the pandemic, online teaching took a different role, and this helped in completely revamping this sector. Due to this, affordable quality education, was provided to everyone, irrespective of the place that one was residing in. Education is one of the foremost essentials in providing opportunities in achieve higher living standards. It also helps in being gainfully employed and increasing income levels.

The second area which is of paramount importance in achieving social indicator goals have been in the provision of affordable universal health care. This has been lagging far behind for India given India's population levels. Some of the unicorns that have come up in this sector, are Innovaccor, Pharmeasy, Pristyn Care. They have managed to provide affordable medicines and pathological tests.

The third most important sectors are the agriculture sector. There are several startups that are developing in this sector. This has been aided by the high internet penetration. This sector has been growing 25% year on year, has attracted a lot of funding, but has not reached the unicorn status yet.

There have been several unicorns in the fintech sector, gaming industry, ecommerce space as well as in space technology. All of them are important. Their growth would result in increasing employment opportunities.

The most important requirement for economic growth to be sustained are skilled and healthy workforce. Besides this, employment in the rural sector would help the rural workforce. They would not have to migrate to urban areas to look for employment opportunities. This would save a lot of resources, resulting in furthering development goals.

CONCLUSION AND THE WAY FORWARD

Thus, one can visualize the impact that unicorns have had on the Indian economy. It was only in 2021 that we became the third largest country after USA and China to have nurtured the greatest number of unicorns. The pandemic created havoc all over the world, but there have been some positives that have come out of it. The most important being minimum interface meetings and the increasing dependency on online alternatives. Unicorns in health and education would go a long way in addressing lack of health and quality education facilities for the Indian population. It has been aided by the emphasis on digitilisation, and the use of smart phones. The unicorn companies themselves have led to

increased employment opportunities. But more than that it has opened a huge plethora of opportunities for people in the tier 1 and tier 2 cities to improve their skills and thus get better job opportunities.

This is just the tip of the iceberg, as time progresses and with a larger amount of agrotech companies attaining unicorn status, the impact on the rural sector will be phenomenal. This will aid in addressing the goals of growth, reduction in poverty levels, reduction in unemployment, as well as reduction in inequality levels.

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