

UNDERSTANDING THE INDIAN STARTUP ECOSYSTEM A HOLISTIC EXPLORATION OF DYNAMICS, PROFITABILITY, AND EMPLOYEE PERSPECTIVES

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Abstract

India has established itself as the third-largest global startup ecosystem, with thriving start-ups. Despite commanding high valuations, startups across diverse sectors are grappling with challenges in achieving profitability. Increasing concerns about job security and the potential for additional layoffs in the absence of an improved funding environment are causing apprehension among talent, even within larger startups. The research intends to analyse the Indian startup ecosystem, analyse and compare the profitability of chosen Unicorns and Decacorns in both listed and unlisted categories, and understand the employee perception of working in startups. An analytical research design is followed. To understand employee perception, a survey facilitated through a structured questionnaire has been conducted among 100 employees of startups situated in Karnataka and Kerala, regions distinguished for their highly supportive ecosystems. Analysis depicted a discrepancy in profitability suggesting that Decacorns, with their startup status, robust valuations, and soaring operating revenue, have yet to establish themselves as consistently profitable entities. Findings from the employee survey highlight that learning opportunities and accelerated career growth stand out as motivating factors for choosing employment in startups. Conversely, the downsides include concerns about change, job insecurity, and workload. The comprehension of stock options at the knowledge level was evident, potentially serving as a stirring factor for startups to incorporate into their employee benefits.

Keywords: startups, Unicorn, Decacorn, profitability, employee stock options, India

DOI:10.2478/acpro-2024-0001

1. Introduction

A start-up is an entrepreneurial venture initiated to discover, develop, and validate a scalable business model. While the term entrepreneurship broadly covers all new business activities, ranging from self-employment to ventures without registration aspirations, start-ups specifically denote emerging businesses intending to achieve substantial growth beyond a sole founder. In their early phases, start-ups confront considerable uncertainty and commonly grapple with high failure rates. A Unicorn company or Unicorn start-up is a private company with valuations over \$ 1 billion. The term was first popularised by venture capitalist Aileen Lee in 2013 to describe rare technology start-ups. (Lee A, Tech Crunch, 2013) These are also known as Decacorn (valued at over \$ 10 billion) and Hectacorn (valued at over \$ 100 billion). Nevertheless, a minority of these ventures manage to achieve success and wield significant influence.

Economies across the world are witnessing unprecedented growth in the form of start-ups in the last decades at a rapid pace with progressively new-age businesses reaching a \$1 billion valuation. The Indian startup ecosystem has undergone tremendous growth since 2014, evolving from a modest beginning to a thriving landscape of innovation. With over 68,000 startups collectively raising more than \$140 billion in funding, the sector has not only weathered funding challenges but has also refocused on profitability and governance, solidifying its foundation. This growth is propelled by factors such as widespread internet and smartphone usage, the emergence of global and domestic funds, and supportive government initiatives. Looking ahead to 2030, the forecast predicts the launch of around 180,000 startups, featuring over 280 Unicorns and a combined valuation of \$1.5 trillion, painting a promising future for the Indian startup landscape. (Indian Startup Ecosystem Report, Inc42, 2023)

Despite positive statistics, a more in-depth analysis of startup operations reveals a substantial decrease in the addition of new Unicorns in 2023, signalling a slowdown in the Indian startup ecosystem. Only three new Unicorns emerged in 2023, a significant drop from the 24 recorded in the previous year. This slowdown in Unicorn additions serves as an indicator of a broader deceleration within India's startup landscape. In the past six months, there has been a notable uptick in job-seeking activity among employees of India's top 24 Unicorns, which consist of the top 12 by profitability and the top 12 by headcount. This is evident in the fact that over half, or 51%, of the workforce in these Unicorns are actively seeking new opportunities. (Indian Startup Ecosystem Report, Inc42, 2023) The current situation necessitates research in the field of the startup ecosystem.

This research is designed to provide an analysis of the performance of top startups in India and the perceptions of employees regarding their experiences within these startup environments. With the current challenges in mind, the study aims to assess the growth and financial health, while simultaneously exploring how employees perceive their roles and working conditions.

The research adopts a quantitative analysis focusing on analysing the profitability using published financial data and employee perception through data collection with a questionnaire. The insights gained from this research will offer a nuanced understanding of the factors influencing both the operational success of startups and the viewpoint of their workforce about its operations, facilitating informed decision-making for stakeholders and contributing to the broader discourse on the startup ecosystem in India

2. Literature review

Simon (2016), by explaining the business model of 30 companies, summarized that the Unicorns have disrupted several traditional industries, as a direct consequence of a global user base, optimizations in technology product development, and a change in customer mindset to adapt to new products. Verticals such as automotive, telecom, media & entertainment, retail, enterprise software, and healthcare & pharma are leading the pack with a large number of Unicorns.

Bala Subrahmanya (2017) asserts that the focus of policymakers and empirical researchers globally has shifted towards technology entrepreneurship and ecosystems supporting technology-based startups. Particularly in India, Bangalore has garnered increasing global recognition as a prominent tech startup hub. Currently, it is acknowledged as the home to the largest number of tech startups in the country and ranks as the third largest globally.

Kaur & Sharma (2019) inferred that in recent times, there has been a remarkable surge in the number of startups in India, marking substantial growth and expansion in the startup landscape. Startups play a crucial role in fostering economic development, providing the younger population with opportunities for self-employment, creating jobs, and utilizing technology to address consumer challenges.

Kenney & Zysman (2019) observed a dynamic scenario within the realm of financial Unicorns, noting that certain entities have successfully transitioned into significant corporate players, dispelling the mythic aura that once surrounded them. Conversely, some have disappeared entirely, prompting satisfied grins from

investors who exited at the right moment. The pervasive growth-at-all-costs mentality has discernible effects on the internal governance of these firms, potentially amplifying the likelihood of the Unicorn birth, growth, and bust cycle.

Singh et al. (2019) conveyed significant findings derived from the examination of the startup ecosystem using Twitter analytics data encompassing 53,115 tweets. Through user analysis, URL analysis, sentiment analysis, and the identification of themes, the research provides a comprehensive picture of the focal points within the Indian startup ecosystem, shedding light on the factors and events that propel its growth. Positive emotions captured in the data portray an optimistic view of the Indian startup landscape while addressing negative emotions becomes imperative for fostering a more robust ecosystem.

David et al. (2020) opined that India stands out as the world's third-largest arena for start-ups, hosting an impressive tally of approximately 26,000 such enterprises. Analysis of the data underscores a discernible concentration of start-up expansion in major (Tier 1) cities and financially robust states. Importantly, this growth trajectory is particularly notable in IT-enabled sectors such as e-commerce, transport, and finance, reflecting India's strategic focus on encouraging innovation and propelling economic advancement.

Rima & Parikh (2020) highlight the necessity for a fundamental change in how society views entrepreneurship and start-ups. They argue that merely promoting initiatives such as digital India, Start-up India, or Make in India, and investing in start-ups, is insufficient. Despite India's reputable education system, the authors contend that it falls short in nurturing the innovators crucial for a thriving start-up ecosystem.

Choudhary et al. (2021) highlight the rapid growth of the Indian start-up ecosystem, noting a transformative shift in the entrepreneurial culture from job-seeking to job-creating. The authors emphasize the significant role that government support plays in fuelling this evolution. Aligning with the Indian government's ambitious vision of achieving a US \$5 trillion economy by 2024-25, the authors underscore the pivotal contribution of start-ups, supported by the government, in realizing this target.

Davis & Thilagaraj (2021) observed that certain nations, including the United Kingdom and France, have implemented start-up relief plans encompassing various measures such as the establishment of start-up investment funds and the provision of financial assistance or loans to start-ups. They note that India is also contemplating the introduction of a robust and more organized relief scheme aimed at facilitating access to finance.

Harini & Savithri (2021) emphasized that despite the global socio-economic upheaval caused by the COVID-19 pandemic, the resilience and innovations stemming from the Indian start-up community played a significant role in reshaping the economy. According to the India Venture Capital report for 2021, the country witnessed nearly \$10 billion in venture capital investments in 2020, marking the highest figure since 2019 when the pandemic initially impacted the economy negatively. Notably, six Indian start-ups not only weathered the challenges posed by the pandemic but also achieved Unicorn status, showcasing their remarkable ability to thrive amidst adversity.

Mahajan & Kaur (2021) emphasized that start-ups play a pivotal role in nation-building by creating jobs, contributing to GDP, and generating wealth. While there has been a streamlining of manufacturing processes, the authors pointed out the need for similar facilitation for nascent entities, encompassing aspects such as funding, registrations, operations, taxation, logistics, and infrastructure. They advocated for a comprehensive approach to ease the business environment for start-ups, highlighting the necessity of allocating resources to burgeoning sectors like telecom and education for sustained growth.

Sakthivel (2021), explored the potential influence of business incubators located in the country on the nurturing and development of such high-value start-ups. The paper provides a quantitative analysis based on the 36 Unicorn start-ups that emerged from India between 2011 and 2020. The goal was to substantiate findings regarding the tangible impacts of business incubators on Unicorn start-ups and to ascertain the extent to which these incubators play a significant role in the growth trajectories of these highly valued enterprises in India.

Singh (2021) concluded his study by highlighting the positive performance of the start-up ecosystem in alignment with the Strategic Action Plan (SAP). The increasing numbers of soonicorns (start-ups with the potential to soon reach Unicorn status) and Unicorns in India are indicative of this success. The author emphasized that a robust start-up ecosystem not only has the potential to enhance the economy but also aligns with the achievement of Sustainable Development Goals (SDGs), particularly SDG 8 focusing on decent work and economic growth.

Jalaja (2022) asserts that, through reverse brain drain, it is imperative for the government to prioritize the cultivation of top-tier technological talent and global business capabilities. The author advocates for substantial investments in research and development, benchmarking against global standards, and fostering a collaborative network among businesses, academic institutions, entrepreneurs, and the government. Jalaja highlights the need for support in areas such as improved bookkeeping, marketing, and sales to assist entrepreneurs and inventors who may lack the experience and expertise required for business expansion.

3. Methodology

The research aims to examine the performance of leading Startups in India and employee perceptions about working in startups.

Research Objectives

- To gain insights into the dynamics of the Indian startup ecosystem.
- To conduct a profitability analysis of listed and unlisted startups in India over two financial years.
- To understand employees' perceptions and experiences within the startup work environment.

Research hypothesis

Ho: There is no significant difference in the preference of benefit factors for working in start-ups by gender and area of expertise

Ho: The employees' knowledge about Employee Stock Options is independent of gender, age, educational qualification, and years of experience in start-ups.

Ho: There is no association between the type of training given by the startups and their area of expertise

Ho: The chances of founding a new startup is independent of the area of expertise

Research Design

For the analysis of financial performance, an analytical research design was employed, leveraging existing facts and information for a comprehensive evaluation of the subject. The examination focused on the profitability of both listed and unlisted startups, encompassing those classified as Unicorns & Decacorns. The sample selected for this study comprised the top-valued 4 startups in both Unicorn and Decacorn status. Secondary data was collected from Annual Reports, websites, journals and magazines, and other publications. The financial data for two years post covid was analysed.

To understand employee preference, an analytical research design was followed. The data was collected using a structured questionnaire with a sample size of 100 employees, 50 each from Bangalore (Karnataka) and Thiruvananthapuram (Kerala), the states which emerged as the best-performing states in developing startup ecosystems for budding entrepreneurs, as per the States' Startup Ranking. The data was collected during a period of two months from December 2023 to January 2024. A pilot study was conducted among a few employees in an IT startup in Technopark, Kerala. The questionnaire after minor order changes was sent to different startups in the two regions. The sampling technique used is multistage Purposive sampling. The questionnaire used nominal, ranking scales and Likert scales with 17 questions, circulated online.

Sample Structure

The study included an equal number of participants from both Karnataka and Kerala, two states in India, with a gender distribution of 60% male and 40% female. In terms of age representation, 18% of the surveyed employees fell into the 20–25 age group, 44% in the 26–35 age group, 31% in the 31–45 age group, and 7% were aged 46 and above.

Table 1. Sample Structure by Educational Qualification, Experience & Area of Expertise in Startups

Educational Qualification	Percent
PhD	4.0
Masters	67.0
Bachelors	23.0
Secondary Education	6.0
Total	100.0

Years of experience	Percent
Less than a year	29.0
1- 3 years	46.0
4- 6 years	12.0
7- 9 years	6.0
10 years and above	7.0
Total	100

Area of expertise	Percent
Technical	21.0
Finance	19.0
Sales	29.0
Marketing	9.0
HR	10.0
Administration	12.0
Total	100

Source: Primary Data –Questionnaire n=100

4. Research Results

The overall startup ecosystem, as evaluated through the profitability analysis and survey, yields the following comprehensive analysis and insights.

4.1. Startup Ecosystem in India

Table 2 Startup Ecosystem in India 2023

Total funding	\$141 billion
No. of Startups	68000
No. of Unicorns	110
Investors Backing Startups	9500
3-year Investor Growth (2019-2023)	0.37
Number of Angel Investors	5000
3-year Investor Growth (2019-2023)	0.37
Total Number of VCs & Pes	2500
3-year VC & PE Investor Growth (2019-2022)	0.31

Source: Indian Startup Ecosystem Report 2023, Inc42(India),

Table 3 Sectors with High Growth Prospects in India 2023

Sector	Market Opportunity
E-commerce	\$ 400 Billion
Fintech	\$ 2.1 Trillion
Health tech	\$ 67 Billion
Edtech	\$ 29 Billion

Source: Indian Startup Ecosystem Report 2023, Inc42(India),

4.2 Profitability Analysis

Profitability Analysis was done of the selected startups, including top Unicorns and Decacorns for two financial years 2022 & 2023. Profitability ratio, a category of financial metrics, plays a crucial role in evaluating a company's capacity to generate earnings in relation to its revenue, operating costs, balance sheet assets, or shareholders' equity over a specific period. The profitability ratio consists of a profit metric divided by revenue.

4.2.1. Profitability Analysis of Unlisted Unicorns & Decacorns

Table 4 Profitability of unlisted Unicorns – 2023

COMPANY	ZOHO	ZERODHA	OFBUSINESS	INFRA. MARKET
REVENUE (Rupees In Crores)	6,711	4,964	7,270	6,236
PROFIT/LOSS (Rupees in Crores)	2,749	2,094	201	186
PROFITABILITY RATIO (%)	40.96	42.18	2.76	2.98

Source: Calculated from secondary data available in Fintrackr,2022

Table 5 Profitability of unlisted Decacorns - 2022

COMPANY	BYJUS	FLIPKART	PHONEPE	SWIGGY
REVENUE (Rupees In Crores)	2,280	61,400	1,646	5,705
PROFIT/LOSS (Rupees in Crores)	-4,588	-7,800	-2,014	-3,629
PROFITABILITY RATIO (%)	-201.23	-12.70	-122.36	-63.61

Source: Calculated from secondary data available in Fintrackr, 2022

From the analysis comparing selected Unicorns and Decacorns which are unlisted in the stock market, a notable trend emerges, revealing that Decacorn companies such as Byjus, Flipkart, Phonepe, and Swiggy command higher valuations than their Unicorn counterparts. However, a closer examination indicates a significant disparity in profitability between the two categories. Unicorn Companies like Zoho, Zerodha, OfBusiness, and Infra. market exhibits a commendable track record of profitability, showcasing positive profit margins. In contrast, Decacorn Companies, despite boasting substantial valuations and impressive operating revenue, grapple with losses. A prime example is Flipkart, which, despite recording substantial operating revenue, faces substantial financial losses. Thus, while Decacorns may be at the forefront of valuation metrics, their journey toward sustained profitability appears to be a work in progress, distinguishing them from their profit-generating Unicorn counterparts

4.2.2. Profitability Analysis of Listed Unicorns

Table 6 Profitability Analysis of Listed Startups 2022–2023

COMPANY	DELHIVERY (Unicorn)		PAYTM (Decacorn)		NYKAA (Decacorn)		ZOMATO (Unicorn)	
	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023
REVENUE (Rupees In Crores)	6,882	7,225	4,974	7,990	3,774	5,144	4,192	7,094
PROFIT/LOSS (Rupees In Crores)	-1,011	-1,007	-2,396	-1,776	41	21	-1,222	-971
PROFITABILITY RATIO (%)	-14.69	-13.94	-48.17	-22.23	1.09	0.41	-29.15	-13.69

Source: Calculated from Annual Reports 2022 & 2023

Delhivery experienced a moderate increase in revenue, signalling positive growth. Although the losses were reduced marginally, Delhivery continues to operate at a loss. The profitability ratio improved slightly, but the company still operates at a negative profit margin. Paytm exhibited significant revenue growth, indicating a robust performance in FY 2023. There was a substantial reduction in losses, showcasing improved financial management. Paytm's profitability ratio showed a remarkable improvement, moving closer to break even (-22.23%).

Nykaa witnessed a substantial increase in revenue, reflecting positive business expansion. Nykaa turned a profit in FY 2023, marking a shift from losses in the previous year (21 crores in FY 2023). The profitability ratio decreased, but the company maintained a positive margin (0.41%). Zomato showed a significant rise in revenue, indicating increased market presence and demand. Zomato successfully reduced its losses. The profitability ratio improved notably, moving closer to break even (-13.69%).

4.3 Questionnaire Analysis: Startup Employee Survey

Analysis of the data collected from the employees of startups in Karnataka and Kerala highlights the following observations.

4.3.1. Types of firms attractive to work

Table 7. Type of firms preferred to work

Type of Firm	Percent
Mature Wellknown startup	21.0
Large Established Corporate Company	31.0
Medium size Regular Company	27.0
Small Size Regular Company	11.0
Small recently founded startup	10.0
Total	100.0

Source: Primary Data –Questionnaire n=100

4.3.2. Preferred firm to work under same working conditions

Table 8. Preferred firm to work under the same working conditions

Type of firm	Percent
Mature Wellknown Startup	36.0
Corporate	22.0
Small recently founded startup	42.0
Total	100.0

Source: Primary Data –Questionnaire n=100

Given identical working conditions such as pay and benefits, 36.0% of respondents prefer Mature well-known startups, 22.0% opt for Corporate settings, and 42.0% favor Small recently founded startups

4.3.3. Expected Salary premium to switch to start-ups.

The survey reveals diverse expectations regarding salary premiums for those considering a switch to startups. Specifically, 13.0% anticipate a premium of less than 10%, 25.0% expect a premium in the range of 11-20%, and 31.0% look for a premium between 21-30%. Additionally, 18.0% are considering a premium in the range of 31- 40%, 4.0% expect 41-50%, while 9.0% indicated "Not Applicable" as they already own a startup

4.3.4. Preference Factors for Working in Startups

Table 9 Benefits of working in Startups

Preference Factors	Mean	Std. Deviation	Rank
Learning Opportunities	5.72	2.06500	1
Accelerated career growth	4.47	1.64197	2
Creative Office Environment	4.23	1.75151	3
Flexible working	3.88	1.35795	4
Empowerment and Freedom	3.83	1.83708	5
Compensation Package	2.99	1.41774	6
ESOP	2.88	2.32805	7

Source: Primary Data –Questionnaire n=100

Employees highlighted their inclination towards working in startups due prime factors such as learning opportunities, accelerated career growth, and a creative office environment. Additionally, they emphasized the importance of flexible working arrangements, empowerment, and freedom. On the flip side, compensation packages and Employee Stock Option Plans (ESOPs) were among the less frequently chosen factors when given the option to express their preferences

H0: There is no significant difference in the preference of benefit factors for working in start-ups by gender

H0: There is no significant difference in the preference of benefit factors for working in start-ups by area of expertise

Table 10 Testing

Factors	t-test for Equality of Means		ANOVA	
	t value	Sig. (2-tailed)	f- value	Sig. (2-tailed)
Learning Opportunities	0.396	0.693	2.735	0.024
Creative Office Environment	-3.523	0.001	0.511	0.767
Accelerated Career Growth	1.816	0.042	0.497	0.778
Flexible working	0.788	0.432	7.887	0.000
Compensation Package	-0.172	0.863	0.909	0.479
Empowerment & Freedom	1.187	0.238	1.220	0.306
ESOP	-0.388	0.698	0.159	0.977

An Independent Sample t-test was done to determine whether there is a significant difference in the preferential factors for choosing to work with start-ups by gender. In the case of the creative office environment significance value is 0.001 and the accelerated career growth significance level is 0.042, which is less than 0.05, whereas, for all other parameters, the significance level is greater than 0.05. Hence, the null hypothesis was rejected in both these cases. The importance given to Career growth and a creative office environment by employees in start-ups differs with respect to gender.

ANOVA was done to find out if there is a significant difference in the preferential factors for choosing to work with start-ups by their area of expertise. For the factors, learning opportunities and flexible working, significance levels are .024 and 00.000 respectively, which is greater than 0.05 and thus null hypothesis rejected. For all other factors, the significance level is greater than 0.05. The significance attributed to learning opportunities and flexibility by employees in startups varies depending on their area of expertise

4.3.5. Downsides of Working in Startups

Table 11 Downsides of Working in Startups

Factors	Mean	Std. Deviation	Rank
Constant Change	3.52	1.59215	1
Job insecurity	3.24	1.40791	2
Heavy workload	2.91	1.14676	3
Limited resources for idea implementation	2.82	1.17534	4
Lowerpay	2.51	1.50752	5

Source: Primary Data –Questionnaire n= 100

The surveyed sample perceives that dealing with continuous change poses the most significant challenge in the startup work environment. Job insecurity and substantial workloads were identified as other notable concerns. Additionally, the participants expressed that limited resources and comparatively lower pay are also recognized as drawbacks associated with employment in startups

4.3.6. Knowledge of Employee Stock Option Plan (ESOP)

Table 12 Knowledgeable_ESOP

Knowledge of ESOP	Percent
Very knowledgeable and received	16.0
Knowledgeable but do not have practical experience	33.0
Know a little, like to learn more	32.0
Don't know stock options	19.0
Total	100.0

Source: Primary Data –Questionnaire n= 100

Ho: The employees' knowledge about Employee Stock Options is independent of gender, age, educational qualification, and years of experience in start-ups.

Table13 Pearson's Chi-Square

Variable	Test	Test Statistic	Significance value (2 sided)	Accept/ Reject	Remarks
Knowledgeable about ESOP Gender	Pearson's Chi-Square	7.108	.069	As the p-value is greater than .05 Ho Accepted	The knowledge about Employee Stock Options is independent of the gender of the employees
Knowledgeable about ESOP Age	Pearson's Chi-Square	49.986	.000	As the p-value is less than .05 Ho Rejected H1 Accepted	The knowledge about Employee Stock Options is dependent on the age of the employees
Knowledgeable about ESOP Educational Qualification	Pearson's Chi-Square	40.858	.000	As the p-value is less than .05 Ho Rejected H1 Accepted	The knowledge about Employee Stock Options is dependent on the educational qualifications of the employees
Knowledgeable about ESOP Years of Experience in startups	Pearson's Chi-Square	19.250	.043	As the p-value is less than .05 Ho Rejected H1 Accepted	The knowledge about Employee Stock Options is dependent on the years of experience in startups
Knowledgeable about ESOP Area of Expertise	Pearson's Chi-Square	39.128	.001	As the p-value is less than .05 Ho Accepted Ho Rejected H1 Accepted	The knowledge about Employee Stock Options is dependent on the area of expertise.

4.3.7. Preparedness of education for job

Table 14 Preparedness of education for job

Preparedness of education for job	Percent
Strongly Disagree	9.0
Disagree	13.0
Neither agree nor disagree	27.0
Agree	28.0
Strongly Agree	23.0
Total	100

Source: Primary Data –Questionnaire n= 100

This breakdown indicates varying perspectives on the effectiveness of education in job preparedness, with a notable portion expressing positive sentiments

4.3.8. Trainings by Startups

Table 15 Trainings by Company

Training	Percent
Mandatory Trainings	53.0
Optional Training	36.0
No training	11.0
Total	100

Source: Primary Data –Questionnaire n= 100

Ho: There is no association between the type of training given by the startups and their area of expertise
 Pearson's Ch-square value is 27.079 with a p-value of 0.003, which is less than 0.05. Therefore, Ho rejected showing an association between the type of training and area of expertise

4.3.9. Chances of Founding a New Startup

Ho: The chances of founding a startup are independent of the area of expertise

Table 16 Chances of founding a new startup

Founding a Startup	Area of Expertise						Total
	Technical	Finance	Sales	Marketing	HR	Administration	
No, Never	4	0	5	3	3	0	15
More No than Yes	4	5	6	0	3	0	18
More Yes than No	0	4	12	4	1	0	21
Yes, Definitely	3	7	5	0	2	9	26
Already own	10	0	2	2	0	3	17
Don't Know	0	3	0	0	1	0	4
Total	21	19	30	9	10	12	101

Source: Primary Data –Questionnaire n= 100

Pearson's Chi-square value is 75.504 with a p-value of 0.003, which is less than 0.05. Therefore, Ho rejected showing an association between the chances of founding startup and area of expertise. The employees in Sales and marketing were more inclined to start a company in the near future.

5. Discussion

The study reveals a dynamic startup ecosystem in India, yet not all Unicorns and Decacorns demonstrate profitability. Despite their substantial valuations, the financial performance of Decacorns is influenced by ineffective cost management and unnecessary investments in specific cases. A notable example is Byju's, a Decacorn experiencing significant losses, leading to a decrease in valuation to below \$3 billion. The startup grapples with the intricate journey to profitability, faces challenges in integrating its various acquisitions effectively, and struggles with issues of poor corporate governance. The key to profitability for startups lies in the dual strategy of augmenting revenue streams and minimizing operational costs. The research findings align with corroborating research articles and critical analyses conducted by investment specialists in India. In this context, numerous platform players across various sectors are strategically expanding their presence in the digital advertising market to drive revenue growth. Startups are actively

engaged in optimizing Customer Acquisition Cost (CAC), a metric that surged during the competitive phase of rapid expansion. This optimization involves in-depth analytics to identify lucrative product-market segments and assess the lifetime value of customers.

The employee survey highlights a preference for working with large corporations and well-established startups. Nevertheless, participants demonstrated an openness to exploring opportunities with recently founded, smaller startups, especially when accompanied by enticing salary premiums and benefits. It could be perceived as a challenge as well as an opportunity to enhance the attractiveness of younger startups by reassessing and potentially improving their current pay and benefits offerings, especially in comparison to what established corporations provide. Learning opportunities and accelerated career growth were the motivating factors for working in startups, whereas change, job insecurity, and workload were the downsides. Organizations should recognize and take action on the understanding that Employee Stock Ownership Plans (ESOPs) play a crucial role in attracting and retaining top talent. They serve as a valuable component of a competitive compensation package and foster a sense of ownership among employees.

The findings of the study closely align with the startup ecosystem scenario in the Baltic region of Europe, as indicated by a survey report by Google. In the Baltic region, individuals exhibit a preference for employment in well-established, mature startups, contrasting with their inclination to work on and develop small startups from the ground up. Additionally, in comparison to corporate positions, the average salary expectation for joining a startup among Baltic residents is approximately 40% higher. Notably, Lithuanians show a greater inclination towards considering employment in a startup rather than taking the initiative to found one themselves. Individuals who are initially hesitant about working in startups are swayed by factors such as flexibility, career growth prospects, and competitive compensation. Strikingly, these considerations align with the preferences of current startup employees. However, both groups share common concerns, citing constant change and uncertain job security as the primary downsides of engaging with startups. The level of importance attributed to stock options when joining a startup correlates with individuals' knowledge about them. Notably, Estonians exhibit the highest level of knowledge about stock options, while Lithuanians, although less knowledgeable, display a significant willingness to learn more. Latvians, on the other hand, are the least knowledgeable among the Baltic countries.

Amidst the challenges posed by the aftermath of a pandemic and economic fluctuations, a significant evolution is taking place in the core of India's vibrant startup ecosystem. Over the past year, startups and their investors have been actively adjusting, shifting their focus from growth to prioritizing profitability. This transformation involves adapting to new business models, embracing cost efficiency, and redefining priorities and employee engagements to navigate the current dynamic landscape.

6. Conclusion

The research was designed to provide a comprehensive analysis of the Indian startup ecosystem, focusing on evaluating and comparing their profitability and gain insights into the employee perspective on working in startups. The financial performance of startups, especially Decacorns has been impacted by inadequate cost management and unwarranted investments, despite their significant valuations. As per the findings from the employee survey, individuals were motivated to work in startups due to enticing prospects for learning and accelerated career growth. Conversely, the drawbacks were associated with factors such as change, job insecurity, and workload. Employees in startups exhibit varying preferences regarding the significance they attribute to career growth and a creative office environment, influenced by gender and area of expertise. Notably, employees' knowledge about Employee Stock Options remains consistent regardless of age, educational qualifications, and years of experience in startups. Additionally, it was deduced that the likelihood of founding a startup is unrelated to the individual's area of expertise. In the realm of reshaping strategies and effectively engaging with employees to ensure their sustained commitment, this holds practical value for companies.

To gain a deeper understanding of startup profitability, future research should be expanded to include a comprehensive analysis of additional startups, representing a wider range of industries and stages of growth. Additionally, gathering insights from employees across diverse states within India would offer a more representative perspective, allowing for the examination of regional differences in entrepreneurial ecosystems. Furthermore, conducting comparative studies with thriving startup regions in other parts of the world would facilitate meaningful cross-regional comparisons, highlighting unique factors that contribute to startup success both in India and globally.

7. Limitations of the Research

Collecting financial data for unlisted companies both Unicorns and Decacorns in 2023 posed challenges as they are unpublished. Hence the profitability analysis of unlisted companies was limited to the financial year 2022. The startup founders were sceptical about permitting the collection of data from employees and the responses from each startup were also limited. The findings of the study are based on the information supplied by the respondents which might have its own limitations

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