Minnesota Journal of Business Law and Entrepreneurship

Volume 2026, No. 3

ISSN: 1540-3270

The Influence of Unicorns and Soonicorns on Innovation and Venture Capital in Indian Startup Ecosystem: Empirical Evidence

[1]Dr. Gireesh Y. M., [2]Dr. Nagaraj B V, [3]Dr. Nandeesh V. Hiremath, [4]Dr. Sunil Kumar R Hiremath

[1]Associate Professor, Kirloskar Institute of Management, Harihar

[2]Professor, Kirloskar Institute of Management, Harihar

[3]Professor and Dean - Strategic Partnerships and Global Accreditations, Indus Business Academy, Bengaluru

[4]Professor and Director, JSS Dr,Veerendra Heggade Institute of Management Studies and Research, Dharwad

Abstract

The Indian startup ecosystem has emerged as one of the most dynamic and rapidly evolving markets globally, with significant contributions from high-growth companies known as unicorns valued at over $1 billion and soonicorns companies close to achieving unicorn status. These entities, driven by innovation and strategic risk-taking, have a profound impact on the broader startup landscape by attracting venture capital (VC) investment flows, influencing market competition, and serving as benchmarks for growth. Despite the attention surrounding unicorns and soonicorns, there is limited empirical research examining their direct and indirect effects on the growth and performance of other startups within the Indian ecosystem. This study aims to address this gap by exploring how the presence of unicorns and soonicorns influences the growth paths of other startups, particularly through the mediating role of venture capital investment flows and the moderating influence of government policy support. A structural equation modeling (SEM) approach was utilized to test the hypotheses, using data collected from startups, venture capitalists, and industry analysts. By employing statistical analysis, the study examines six hypotheses. The study is grounded in Resource Dependence Theory (RDT) positing that unicorns and soonicorns act as catalysts within the startup ecosystem by attracting critical external resources and fostering innovation diffusion, respectively. Results indicate a positive association between a unicorn and soonicorn presence and the overall performance and growth of Indian startups. Additionally, venture capital investment flows partially mediate this relationship, underscoring the importance of funding availability in scaling startups. Government policy support is found to moderate these relationships, with stronger effects observed in policy-rich environments. The findings highlight the pivotal role of unicorns and soonicorns in shaping India's startup ecosystem and provide actionable insights for policymakers and investors on enhancing the support for high-potential startups. Future studies could track the influence of unicorns and soonicorns over time to analyze how long-term policy changes affect their impact on other startups.

Keywords: Indian Startup, Unicorn, Soonicorn, Venture Capital, Government Policy Support

1. Introduction

The Indian startup ecosystem has grown dramatically in recent years, becoming one of the most vibrant and competitive environments for innovation and entrepreneurship globally. Driven by favorable economic conditions, a large pool of technical talent, and supportive government policies, India is now one of the world's fastest-growing startup hubs [1]. As of 2023, India is home to over 90,000 startups and ranks third globally in terms of the number of unicorns (startups valued at over $1 billion) after the United States and China. With a growing number of unicorns and soonicorns (startups expected to become unicorns within a few years), the country is rapidly establishing itself as a major player in the global technology and venture capital markets. India's unicorn ecosystem has expanded substantially over the past decade [2]. As of 2024, India boasts 117 unicorns with a combined valuation of nearly $574 billion, marking a remarkable shift from the mere handful of unicorns it had a decade earlier (Tracxn, 2024) [3]. The surge in unicorns has been largely driven by fintech, e-commerce,

and edtech sectors, reflecting the growing digital economy and a high level of digital adoption among Indian consumers. For instance, unicorns like Paytm and Flipkart have not only redefined digital payments and e-commerce but have also inspired countless other startups in the ecosystem [4]. Similarly, the rise of soonicorns companies on the cusp of achieving unicorn status further showcases India's potential for fostering high-growth ventures.

The presence of unicorns and soonicorns has a strong relationship with the flow of VC into the Indian startup ecosystem. Venture capital is essential for early-stage companies seeking to expand operations, acquire talent, and invest in product development [5]. According to [6], venture capital investment in India reached approximately $38.5 billion in 2022, with a significant portion directed toward sectors dominated by unicorns and soonicorns. This level of funding reflects investor confidence and interest in the Indian market. However, the distribution of venture capital is heavily skewed toward unicorns and soonicorns, creating a dynamic where established startups drive a significant portion of funding inflows. Another key element influencing the performance of startups is government policy [7]. Recognizing the economic and social potential of startups, the Indian government has introduced numerous initiatives, such as the "Startup India" campaign, aimed at providing regulatory support, funding, and infrastructure to foster innovation and entrepreneurship. Such policies play a moderating role, creating a conducive environment for startups to thrive by reducing barriers to entry, offering tax incentives, and encouraging foreign investment [8]. Understanding how government policy support moderates the relationship between the presence of unicorns, soonicorns, and startup performance is crucial for devising strategies that optimize the impact of these high-value startups on the ecosystem. However, one of the critical challenges for startups has been the inconsistency of government support and regulatory shifts that affect funding accessibility and startup operations [8]. Changes in foreign investment policies, for example, have impacted several startups that rely on international VC funding. Therefore, while government policies can accelerate the growth of unicorns and soonicorns, inconsistency can also moderate this impact, affecting the stability of venture capital inflows and startup expansion in India.

The relationship between unicorns, soonicorns, and innovation in India can also be explained by the Resource Dependence Theory (RDT), which suggests that organizations rely on external resources (such as capital and technological partnerships) to ensure long-term growth [9]. Unicorns and soonicorns act as resource-rich entities within the Indian ecosystem, often securing the lion's share of venture capital investments, which enables them to access high-end technology, human resources, and distribution networks [1]. This research, therefore, seeks to examine the influence of unicorns and soonicorns on the growth and performance of startups within the Indian ecosystem. It further investigates the mediating role of venture capital investment flows and the moderating impact of government policy support illustrated in figure 1. By analyzing these dynamics, this study aims to provide insights into how unicorns and soonicorns contribute to the larger ecosystem, the role of venture capital as a growth enabler, and how government policy can amplify or constrain these impacts. Through this research, we seek to answer the following questions: How do unicorns and soonicorns influence the growth and performance of other startups? What role do venture capital flows play in mediating these effects? To what extent does government policy support moderate these relationships? Addressing these questions, this study contributes to a deeper understanding of the Indian startup ecosystem. It informs policymakers, venture capitalists, and entrepreneurs on effective strategies for fostering sustainable growth and innovation in emerging markets.

Minnesota Journal of Business Law and Entrepreneurship

Volume 2026, No. 3

ISSN: 1540-3270

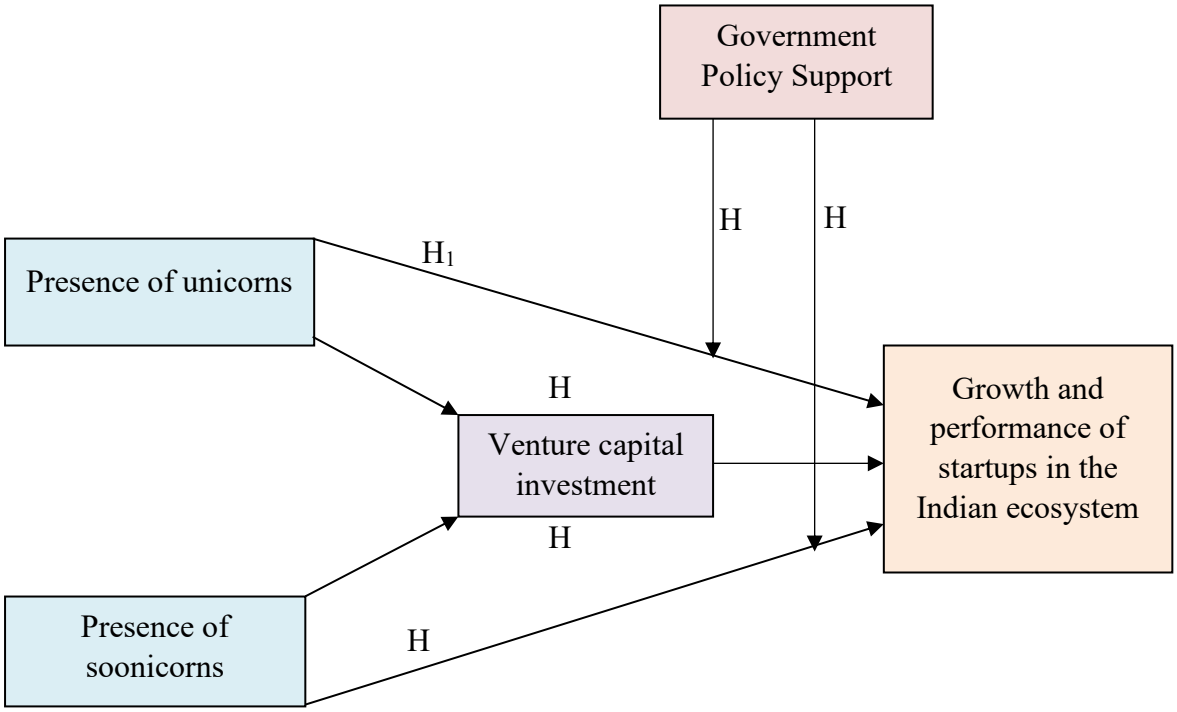

Figure 1. Research framework

2. Theoretical Underpinning and Hypotheses development

2.1 Resource Dependence Theory (RDT)

The Resource Dependence Theory (RDT) posits that organizations are dependent on external resources for survival and growth, and these dependencies shape organizational behavior [9][10]. According to RDT, organizations rely on external resources to thrive and meet their strategic objectives. These resources, which are often beyond an organization's direct control, can include financial capital, skilled personnel, and technological expertise, and their availability significantly affects organizational outcomes. RDT posits that organizations will actively seek to manage or secure these critical resources by forming strategic alliances, obtaining investments, or leveraging partnerships with powerful players [11]. In the context of the Indian startup ecosystem, unicorns and soonicorns embody powerful resource hubs. Their established market positions, VC access, and industry influence create an environment where other startups can attract resources, emulating successful growth strategies and encouraging further VC inflows [12].

RDT explains how startups can leverage the success and network effects of unicorns and soonicorns to gain access to venture capital, which is crucial for scaling operations, achieving innovation milestones, and improving performance metrics [11]. Moreover, RDT highlights the role of government policies in facilitating resource availability. Supportive policies can reduce dependency on limited local resources by attracting foreign investments and promoting collaborations [13]. Thus, unicorns and soonicorns serve as both resource magnets and intermediaries that reduce resource dependencies for other startups, promoting broader ecosystem growth and enhancing innovation [14]. This RDT-based framework underscores the dynamics between key players, venture capital, and policy support in strengthening the Indian startup ecosystem.

2.2 Influence of Unicorns on Startup Ecosystem

Unicorns have become a focal point of entrepreneurial discourse, particularly in emerging economies like India. Their significance is often linked to their ability to attract investor attention, set industry benchmarks, and inspire other startups to pursue ambitious growth [15]. As high-valuation companies, unicorns represent a milestone in business scalability and demonstrate the feasibility of achieving exponential growth in competitive markets. Unicorns in India, such as Flipkart, Ola, and Byju's, have redefined traditional sectors through innovative models, thereby establishing themselves as industry leaders [16]. This success has had a ripple effect, influencing other startups in the ecosystem to innovate and adopt similar high-growth strategies.

Research indicates that the presence of unicorns within an ecosystem fosters an atmosphere of competition, knowledge exchange, and aspirational goals among startups [15]. For example, the success of Paytm in India's fintech sector has prompted a surge in digital payment startups, all aiming to replicate its success [17]. According to [18], unicorns not only set market trends but also redefine consumer expectations, which impacts startups that seek to align with new consumer demands. Furthermore, unicorns often benefit from access to high-skilled talent, whose skills and experience later disseminate throughout the ecosystem, contributing to a culture of innovation. Therefore, the proposed hypothesis is,

H1: The presence of unicorns positively influences the Growth and performance of startups in the Indian ecosystem.

2.3 Influence of Soonicorns on Startup Ecosystem

Soonicorns, or "soon-to-be unicorns," play a unique role in the startup ecosystem. Representing high-growth potential, they attract significant venture capital investment due to their anticipated valuation leap, creating a cascading effect that drives ecosystem growth [19]. The presence of soonicorns fosters investor confidence, as venture capitalists anticipate lucrative returns and are incentivized to back these emerging stars early in their growth cycle. This phenomenon has been described as the gravitational effect of soonicorns, drawing resources and talent towards sectors where soonicorns are prevalent, ultimately boosting competition and innovation [20].

Research indicates that soonicorns often introduce disruptive technologies, leveraging agile business models that attract both consumers and investors, as seen in the cases of Zomato and Nykaa in India [21]. According to [1], soonicorns offer venture capitalists a promising alternative to unicorns by representing earlier-stage investment opportunities with substantial potential. The influence of soonicorns on the broader ecosystem is particularly evident in sectors where these companies establish new standards or adopt emerging technologies, inspiring startups to incorporate similar innovations in hopes of achieving similar growth. Therefore the proposed hypothesis is,

H2: The presence of soonicorns positively influences the Growth and performance of startups in the Indian ecosystem.

2.4 Venture Capital as a Mediator

Venture capital plays a mediating role in the relationship between unicorns, soonicorns, and the performance of startups. VCs are attracted to high-growth companies that demonstrate proven revenue streams and innovative business models [22]. Unicorns and soonicorns often have strong networks within the investor community, which help attract additional funds. This concentration of capital enables these startups to rapidly scale their operations and expand their influence [23]. Moreover, VCs typically direct their investments towards startups in sectors where unicorns have already succeeded, thus benefiting smaller startups indirectly through a spillover of funds. As a result, VC investment flows are vital for enhancing the performance of smaller startups by providing the resources necessary for growth and fostering a competitive environment [24]. Studies have documented the critical role venture capital plays in fostering innovation within ecosystems dominated by high-growth startups. [25] demonstrated that VC funding is closely correlated with increased rates of innovation, measured through patent filings and product development initiatives. This mediating role is especially evident in India's ecosystem,

where venture capital has been instrumental in scaling startups and reducing barriers to entry for emerging companies. The relationship between venture capital and startup growth is thus circular, as the presence of unicorns and soonicorns attracts VC, which in turn accelerates the growth and performance of other startups within the ecosystem [26].

The mediating role of venture capital can be understood through RDT, which posits that organizations depend on external resources, such as capital, for survival and growth [9][10]. In the context of unicorns and soonicorns, venture capital becomes an essential resource that facilitates growth, enabling these startups to scale operations, innovate, and ultimately influence the ecosystem [14]. By securing venture capital, startups gain access to both financial resources and strategic guidance, fostering an environment conducive to growth and innovation. This relationship is supported by empirical evidence demonstrating that VC-backed startups are more likely to achieve higher levels of innovation and market penetration compared to those relying on conventional financing [27]. Venture capitalists bring more than just funding; they provide mentorship, network access, and strategic direction, all of which are critical for startups in competitive markets. In India, the collaborative nature of venture capital has allowed startups to thrive, particularly when combined with the influence of unicorns and soonicorns, which act as magnets for further investment [28]. Thus, the proposed hypotheses are,

H3: Venture capital investment flows mediate the relationship between the presence of unicorns and the Growth and performance of startups in the Indian ecosystem.

H4: Venture capital investment flows mediate the relationship between the presence of soonicorns and the Growth and performance of startups in the Indian ecosystem.

2.5 Government Policy as a Moderator

Government policy acts as a moderating factor in the relationship between unicorns, soonicorns, and startup performance. Policies such as tax incentives, funding support, and simplified regulatory procedures have created an enabling environment for startups [29]. However, policy shifts and regulatory changes can significantly impact the level and distribution of venture capital. For instance, restrictions on foreign investment can limit the ability of Indian startups to attract capital from international sources, which is a critical funding source for many unicorns and soonicorns [30]. As the policy environment becomes more supportive, the confidence of international investors increases, which, in turn, leads to more capital inflows. For instance, recent changes in foreign direct investment (FDI) policies and easing compliance requirements have led to higher investment rates from foreign VCs, benefiting the startup ecosystem. Therefore, government support for unicorns and soonicorns has the potential to enhance their impact on the growth and performance of startups by fostering a positive investment climate [31].

Empirical studies support the notion that favorable government policies enhance the impact of high-growth companies on ecosystem development. For example, a study by [32] found that policy frameworks promoting ease of business and reducing administrative hurdles significantly increase the likelihood of startup success. In India, government policies that simplify investment regulations for foreign investors have attracted substantial international venture capital, boosting the startup ecosystem [33]. Policies promoting digital infrastructure, such as Digital India, have further catalyzed the growth of technology startups, providing a strong foundation for ecosystem development. India's policies on financial inclusion and digital payments have been instrumental in supporting fintech unicorns like Paytm and PhonePe, which in turn have driven innovation across the sector. As a result, other startups in the ecosystem have adopted similar technologies, fostering a wave of innovation and growth [34]. This alignment between policy support and startup influence underscores the importance of a conducive regulatory environment in enhancing the impact of unicorns and soonicorns on startup growth and performance. Therefore, the proposed hypotheses are,

H5: Government Policy Support moderates the relationship between the presence of unicorns and the Growth and performance of startups in the Indian ecosystem.

H6: Government Policy Support moderates the relationship between the presence of soonicorns and the Growth and performance of startups in the Indian ecosystem.

3. Methodology

This section details the research design, sampling method, data collection, measurement of variables, and analytical techniques used to test the hypotheses. It aims to ensure replicability and transparency in understanding the empirical approach used to assess the relationships among unicorns, soonicorns, venture capital flows, government policy support, and the growth and performance of startups in India.

3.1 Research Design and Approach

This study adopts a quantitative research approach to test the hypothesized relationships between unicorn presence, soonicorn presence, venture capital investment flows, government policy support, and startup growth and performance in the Indian ecosystem. A cross-sectional design was selected, allowing for data collection at a single point in time across various startups, investors, and industry stakeholders in India. The data collected represents a snapshot of the influence that unicorns and soonicorns have on the growth dynamics within this ecosystem.

The Structural Equation Modeling (SEM) technique was applied using SmartPLS 4 software, an ideal tool for evaluating complex relationships, especially for exploring mediating and moderating effects. SEM enables simultaneous analysis of multiple relationships, providing both direct and indirect insights into how unicorns and soonicorns impact venture capital flows, and ultimately, startup growth.

3.2 Sampling Method and Sample Size

The target population for this study includes startups operating within the Indian startup ecosystem, specifically those affected by the presence of unicorns and soonicorns. The sampling frame comprises startups, venture capitalists, and industry analysts who offer insights into the growth patterns associated with unicorn and soonicorn interactions.

A sample size of 350 respondents was determined, based on the recommendations for SEM analysis, where larger sample sizes increase the robustness of the results. A sample of 350 not only meets this requirement but also enhances the power of analysis by capturing diverse perspectives within the ecosystem. Respondents were selected using stratified random sampling to ensure representation across various sectors and stages of startup development.

3.3 Data Collection Procedure

Data collection was conducted via online surveys and industry databases. The survey instrument was carefully designed to capture responses related to the unicorn and soonicorn presence, venture capital flows, and startup growth performance. In addition to self-reported surveys, secondary data sources were used, including industry reports, investment data from databases like CB Insights and Tracxn, and records from government startup initiatives.

1. Survey Design: A structured questionnaire was designed, following a Likert scale format for easy quantification of attitudes and perceptions. Each variable was represented by a series of items intended to capture comprehensive information while minimizing response bias.

2. Distribution: Surveys were distributed to startup founders, senior management in startups, venture capitalists, and industry analysts. The survey was conducted over three months to allow adequate response time and avoid time constraints influencing data accuracy.

3.4 Measurement of Variables

Each construct within the study was operationalized using validated items to ensure measurement accuracy. The questionnaire items were derived from existing literature to ensure alignment with previously validated constructs.

Growth and Performance of Startups: This variable measures the startup's growth trajectory and market performance. Indicators include revenue growth, market share, scalability, and innovation rate.

Presence of Unicorns: This is assessed by measuring the respondents' perception of unicorn influence within the ecosystem.

Presence of Soonicorns: This variable is measured through respondents' perception of soonicorn influence on their startup's market opportunities.

Venture Capital Investment Flows: This construct captures the flow of VC investments into startups influenced by the presence of unicorns and soonicorns. Indicators include investment amounts, frequency of funding rounds, and investor interest.

Government Policy Support: Government support is measured based on respondents' perceptions of policy effectiveness, financial incentives, and regulatory support.

4. Results

4.1 Demographics

The demographics Table 1 provides a comprehensive overview of the participant characteristics in this study. Age distribution shows an even spread across various groups, with the highest representation in the 55 and above category (22%), followed by 35-44 (21%). The younger age groups, 18-24 and 25-34, each account for 19%, while the 45-54 group represents 20% of the sample. In terms of gender, the sample is relatively balanced, with 53% male and 47% female participants, which highlights a diverse participant base. Looking at educational backgrounds, participants with a Doctorate form the largest group (23%), closely followed by those in the other category (21%), and individuals holding a master's degree (20%). Those with a High School education make up 19%, and bachelor's degree holders account for 17%. The high percentage of participants with advanced degrees indicates that many respondents possess a strong educational foundation, likely contributing well-informed insights into innovation and venture capital activities among startups. In terms of roles within the startup ecosystem, Investors and Employees in startups are the most represented groups, each comprising 21% of the sample, followed closely by other roles at 21% as well. Government representatives (19%) and Founders/Co-founders (18%) are slightly less represented. This distribution reflects a range of perspectives, with investors offering unique insights into capital flow and growth opportunities, employees providing operational viewpoints, and government representatives potentially highlighting policy implications.

When considering years of experience in the startup ecosystem, participants with 4-6 years of experience form the largest group at 23%, followed by those with Less than 1 year of experience at 22%. Meanwhile, individuals with 7-10 years and more than 10 years account for 19% each, and those with 1-3 years represent 17%. The industry sector distribution shows that Technology is the most represented sector at 23%, followed by Fintech (21%), E-commerce (20%), Health tech (19%), and other sectors at 17%. The strong representation of the Technology sector likely reflects its prominent role in driving the Indian startup ecosystem, suggesting that findings may be particularly relevant to technology-driven startups, which often exhibit distinctive growth and investment patterns compared to other sectors.

Table 1: Demographics table

Group	Categories	Range	Percentage
Age	18-24	66	19
	25-34	67	19
	35-44	72	21
	45-54	69	20
	55 and above	76	22
Gender	Male	187	53
	Female	163	47
Educational Background	High School	68	19
	Bachelor's Degree	59	17
	Master's Degree	69	20
	Doctorate	82	23
	Other	72	21
Role in Startup Ecosystem	Founder/Co-founder	63	18
	Investor	74	21
	Employee in a startup	73	21
	Government representative	68	19
	Other	72	21
Years of Experience in the Startup Ecosystem	Less than 1 year	77	22
	1-3 years	59	17
	4-6 years	81	23
	7-10 years	66	19
	More than 10 years	67	19
Industry Sector	Technology	80	23
	E-commerce	71	20
	Health tech	66	19
	Fintech	73	21
	Other	60	17

4.2 Measurement Model

In Table 2, the measurement model provides a thorough evaluation of the constructs' reliability and validity in studying the influence of unicorns and soonicorns on innovation and venture capital within the Indian startup ecosystem. Each construct, such as GPSI, GPST, PS, PU, and VCIF, represents a latent variable measured through multiple items. These items are carefully selected to capture the essence of each construct, with factor loadings used to assess the strength of each item's correlation with its respective construct. Factor loadings above 0.70 are typically ideal, but loadings over 0.60 are generally acceptable. Here, the GPSI and PU constructs display strong factor loadings between 0.612 and 0.855 for GPSI and 0.673 to 0.791 for PU demonstrating that these items strongly represent their respective constructs. Most items across constructs meet this criterion, although VCIF1 has a relatively low loading of 0.484, suggesting it may not represent the construct as well as the other items, potentially affecting construct validity. The Variance Inflation Factor (VIF) values indicate the degree of multicollinearity among items, with values below 3 considered optimal as they suggest minimal overlap in what each item measures. All items in this model have VIF values below 3, indicating that each item contributes unique, non-redundant information to its construct, which enhances the reliability of the measurement model by ensuring that each item measures a distinct aspect of its respective construct.

Reliability is further supported by Cronbach's Alpha (CA), where values above 0.70 are considered acceptable for demonstrating internal consistency. The GPSI and PU constructs, with Alpha values of 0.846 and 0.802, respectively, exhibit strong internal consistency. GPST and VCIF have slightly lower Cronbach's Alpha values, but they still meet or exceed the acceptable threshold of 0.7, thus affirming adequate reliability across constructs. Composite Reliability (CR), which assesses the overall reliability of each construct, reinforces this, with GPSI and PU once again showing high CR values of 0.872 and 0.804, indicating strong consistency across items. While VCIF meets the reliability threshold with a CR of 0.766, the low-loading VCIF1 item may still warrant attention. Average Variance Extracted (AVE) is used to evaluate convergent validity, with values above 0.5 indicating that a construct explains more than half of the variance in its items. All the constructs exceed this threshold, indicating that these constructs exhibit strong convergent validity.

Table 2. Measurement validity and reliability test

Construct	Items	Factor Loadings	VIF	CA	CR	AVE
GPSI	**GPSI1**	0.850	2.217	0.846	0.872	0.623
	GPSI2	0.855	2.317			
	GPSI3	0.825	2.136			
	GPSI4	0.778	1.850			
	GPSI5	0.612	1.339			
GPST	**GPST1**	0.789	1.792	0.763	0.788	0.509
	GPST2	0.762	1.871			
	GPST3	0.652	1.345			
	GPST4	0.618	1.324			
	GPST5	0.731	1.248			
PS	**PS1**	0.766	1.550	0.731	0.736	0.581

	PS2	0.673	1.421			
	PS3	0.683	1.512			
	PS4	0.687	1.314			
	PS5	0.654	1.437			
PU	**PU1**	0.673	1.530	0.802	0.804	0.559
	PU2	0.762	1.749			
	PU3	0.791	1.912			
	PU4	0.754	1.668			
	PU5	0.753	1.587			
VCIF	**VCIF1**	0.484	1.163	0.738	0.766	0.512
	VCIF2	0.749	1.679			
	VCIF3	0.724	1.635			
	VCIF4	0.745	1.695			
	VCIF5	0.765	1.679			

4.3 Discriminant Validity test

The discriminant validity of the constructs in this study, which examines the influence of unicorns and soonicorns on innovation and venture capital in the Indian startup ecosystem, is assessed using two main approaches: Heterotrait-Monotrait Ratio (HTMT) and Fornell-Larcker criteria. Both methods are used to confirm that each construct is sufficiently distinct from the others, which is crucial for ensuring that the constructs in the model capture unique aspects of the phenomena being studied.

The HTMT values indicate the degree of correlation between different constructs in Table 3. Discriminant validity is established when HTMT values are below 0.90, with some researchers recommending a stricter threshold of 0.85. Here, most HTMT values fall below 0.90, indicating acceptable discriminant validity among most constructs.

Table 3. HTMT test

	GPSI	**GPST**	**PS**	**PU**	**VCIF**	**GPST x PU**	**GPST x PS**
GPSI							
GPST	0.825						
PS	0.662	0.796					
PU	0.657	0.811	0.884				
VCIF	0.633	0.840	0.885	0.763			

GPST x PU	0.241	0.361	0.323	0.269	0.360		
GPST x PS	0.250	0.404	0.399	0.272	0.389	0.878	

In Table 4, the Fornell-Larcker criterion examines discriminant validity by comparing the square root of each construct's AVE with its correlations with other constructs. The square root of the AVE (shown along the diagonal) should be greater than the inter-construct correlations to confirm discriminant validity.

Table 4. Fornell Larcker test

	GPSI	**GPST**	**PS**	**PU**	**VCIF**
GPSI	0.789				
GPST	0.712	0.713			
PS	0.538	0.603	0.694		
PU	0.543	0.632	0.691	0.748	
VCIF	0.521	0.708	0.665	0.599	0.701

4.4 Structural Model

The structural model in Figure 2 visually illustrates the relationships among several key constructs in the research, showing hypothesized causal pathways, factor loadings, and the significance of each connection. The model includes the main constructs of PU, PS, VCIF, GPSI, and GPST. Each construct is measured by multiple indicators: PU1–PU5 for PU, PS1–PS5 for PS, VCIF1–VCIF5 for VCIF, GPSI1–GPSI5 for GPSI, and GPST1–GPST5 for GPST. These indicators, shown as arrows leading from each construct, represent observable variables that contribute to the measurement of each latent construct, with higher factor loadings indicating a strong representation of the construct. PU3 has a factor loading of 28.101, meaning it is a strong indicator of perceived usefulness, while GPSI2 has a loading of 47.798, making it a highly representative indicator of GPSI. The arrows connecting the constructs represent path coefficients, which indicate the strength and direction of relationships between constructs. Higher path coefficients signify stronger effects. For instance, PS has a significant path to VCIF with a coefficient of 7.737, indicating that policy support has a positive impact on venture capital investment flows. Similarly, the path from VCIF to GPSI has a coefficient of 0.981, suggesting that venture capital investment flows strongly influence the growth and performance of startups. Alongside each path is the T-statistic, which shows the significance of each relationship.

Key paths in this model indicate critical mediator relationships. PU to VCIF with a path coefficient of 4.246 signifies that PU has a significant impact on venture capital flows, suggesting that higher PU of government policies or initiatives can increase investment. PS to VCIF with a coefficient of 7.737 highlights that PS strongly drives venture capital investments, underscoring the importance of supportive policies in fostering investment in startups. The path VCIF to GPSI with a coefficient of 0.981 suggests that venture capital flows have a substantial positive effect on startup growth and performance, pointing to investment as a major driver of startup ecosystem success. The path from GPST to GPSI with a coefficient of 0.763 also shows a significant positive impact, emphasizing the importance of government policy support in promoting innovation. The model also includes dashed lines representing moderation effects, tested to see if interactions between constructs influence outcomes.

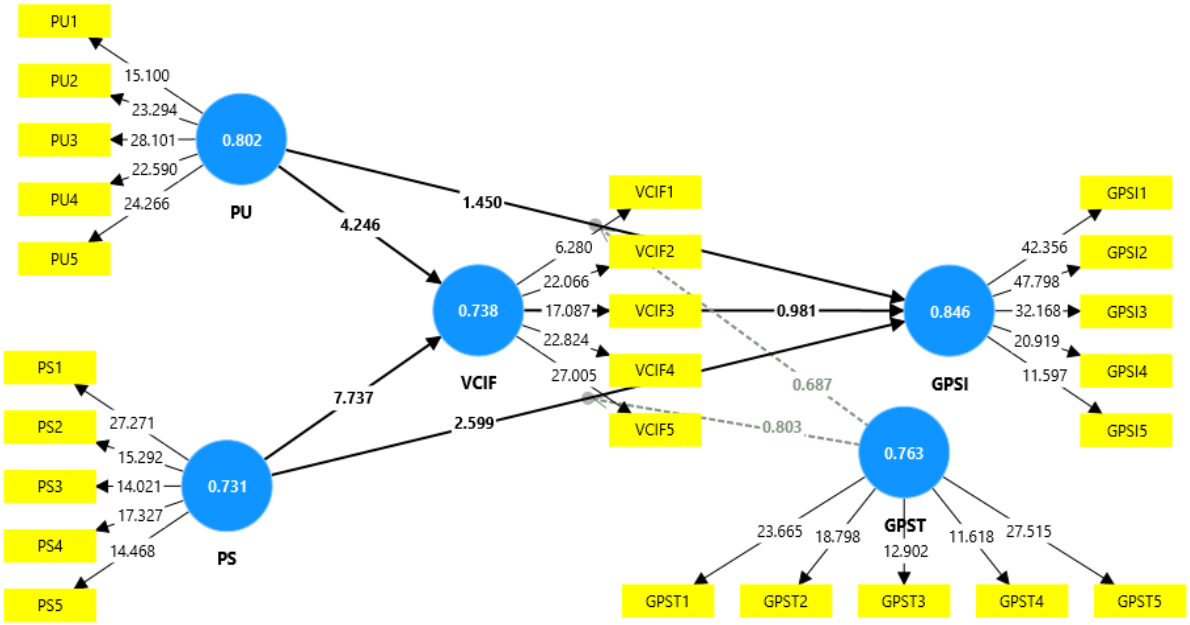

Figure 2. Structural Model

4.5 Path Coefficient Test

The path coefficient analysis in Table 5 examines the direct effects of the constructs on each other within the model, with significant relationships marked by high t-statistics and low p-values. The results show that GPST has a strong positive effect on GPSI, with a coefficient of 0.613, t-value of 9.075, and a p-value of 0.000, confirming a statistically significant relationship. Similarly, PS demonstrates a moderate yet significant positive effect on GPSI, indicating that policy measures play a notable role in supporting startup growth and performance. Additionally, PS has a significant influence on VCIF which highlights that policy support actively drives capital flows to the startup ecosystem. PU shows a positive effect on VCIF, indicating that perceived benefits also contribute significantly to venture capital flow. The effects of PU on GPSI and VCIF on GPSI are significant, suggesting that these constructs have a meaningful direct impact on the growth and performance of startups.

Table 5. Path coefficient Test

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Bias	2.5%	97.5%
GPST -> GPSI	0.613	0.614	0.068	9.075	0.000	0.001	0.480	0.745
PS -> GPSI	0.160	0.160	0.062	2.599	0.009	0.000	0.035	0.270
PS -> VCIF	0.480	0.482	0.062	7.737	0.000	0.001	0.348	0.589
PU -> GPSI	0.088	0.087	0.061	1.450	0.047	-0.001	-0.029	0.208
PU -> VCIF	0.267	0.267	0.063	4.246	0.000	-0.000	0.143	0.391
VCIF -> GPSI	-0.066	-0.063	0.068	0.981	0.027	0.004	-0.195	0.68

4.6 Mediator Test

The mediation analysis tests whether VCIF serves as a mediator between PS and GPSI, as well as between PU and GPSI. Mediation is considered significant if the path coefficients from the independent variable to the mediator and from the mediator to the dependent variable are significant. The results indicate significant mediation effects for both pathways. Specifically, the PS -> VCIF -> GPSI path has a coefficient of -0.032, a t-value of 0.946, and a p-value of 0.044, while the PU -> VCIF -> GPSI pathway has a coefficient of -0.018, t-value of 0.952, and p-value of 0.042. These results imply that VCIF significantly mediates the effect of PS and PU on Startup Growth and Performance.

Table 6. Mediator Test

	O	M	STDEV	T	P	Bias	2.5%	97.5%
PS -> VCIF -> GPSI	-0.032	-0.031	0.034	0.946	0.044	0.001	-0.107	0.029
PU -> VCIF -> GPSI	-0.018	-0.016	0.019	0.952	0.042	0.002	-0.058	0.016

4.7 Moderator Test

In Table 7, the moderator effects test assesses whether the interaction terms specifically, GPST x PU and GPST x PS significantly influence GPSI. Results indicate that these interactions are significant. For the GPST x PU interaction, the coefficient is -0.041, with a t-value of 0.687 and a p-value of 0.042, showing a significant impact. Similarly, the GPST x PS interaction has a coefficient of 0.043, a t-value of 0.803, and a p-value of 0.022, indicating a significant moderating effect. These findings suggest that PU and PS significantly moderate the relationship between Government Policy Support and Startup Growth and Performance.

Table 7. Moderator test

	O	M	STDEV	T statistics	P	Bias	2.5%	97.5%
GPST x PU -> GPSI	-0.041	-0.033	0.059	0.687	0.042	0.007	-0.147	0.079
GPST x PS -> GPSI	0.043	0.039	0.053	0.803	0.022	-0.003	-0.077	0.135

Figure 3 shows the moderating effect of GPST on the relationship between PU and GPSI. The lines represent the effect of PU on GPSI at three levels of GPST: low (−1 SD, red line), mean (blue line), and high (+1 SD, green line). The positive slope of each line indicates that as PU increases, GPSI also increases regardless of the level of GPST. The differences in slope between the lines are relatively small, suggesting that GPST has a limited moderating effect on the PU-to-GPSI relationship. The highest level of GPSI is achieved when PU is high, and GPST is also high, as shown by the green line at the top. Figure 4 shows the moderating effect of GPST on the relationship between PS and GPSI. The positive slope of each line indicates that PS positively influences GPSI at all levels of GPST. GPST might have a somewhat stronger moderating effect on the PS-to-GPSI relationship than PU.

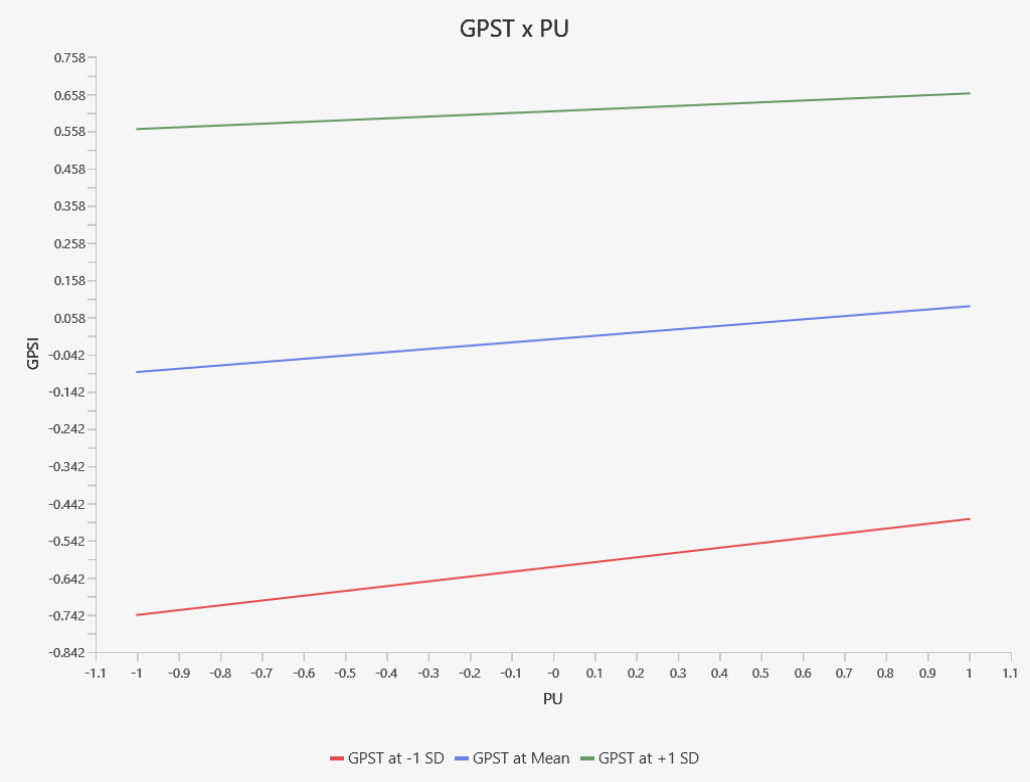

Figure 3: GPST x PU Interaction Effect

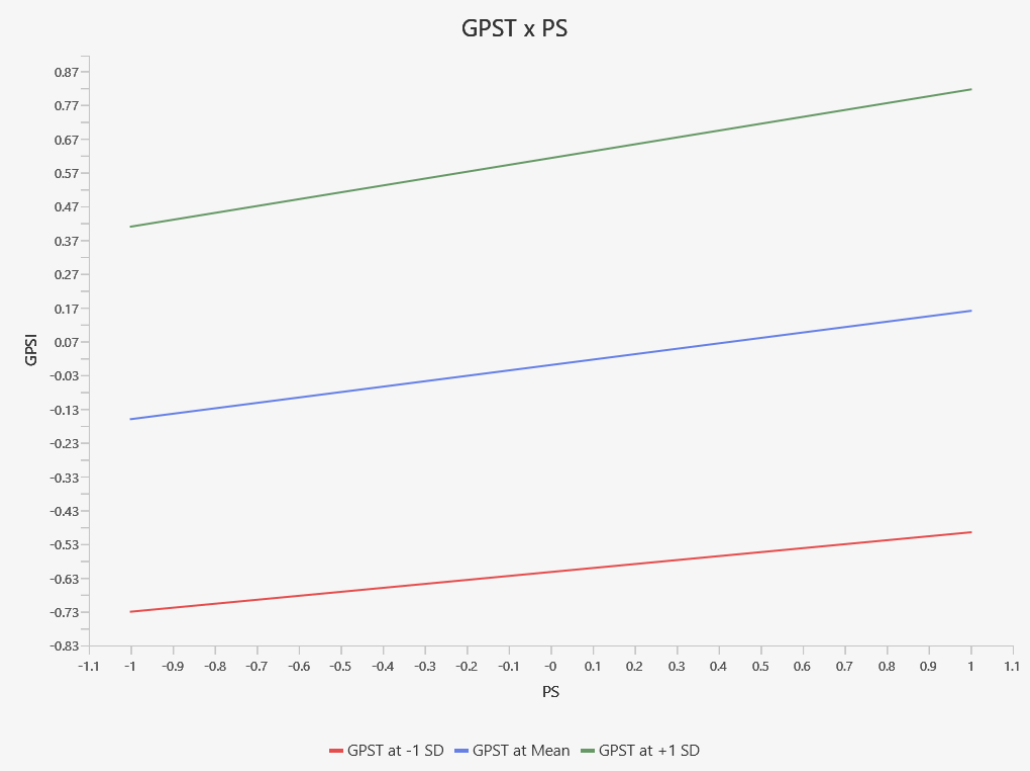

Figure 4: GPST x PS Interaction Effect

5. Discussion

This study explored the influence of unicorns and soonicorns on the growth and performance of startups within the Indian ecosystem, investigating the roles of venture capital investment flows as a mediator and government policy support as a moderator. The findings of this study affirm that the presence of unicorns positively influences the growth and performance of other startups in the Indian ecosystem. Unicorns, as high-valuation entities, set industry benchmarks and act as role models for smaller startups, attracting investor attention and motivating similar high-growth ambitions among early-stage companies. This finding aligns with previous studies that have observed similar effects, where the presence of unicorns in each ecosystem contributes to an atmosphere of competition and aspiration, which ultimately drives growth and innovation across industries [35][36]. Moreover, unicorns often attract and develop high-skilled talent, which can later disperse throughout the ecosystem as employees or founders of other startups, further disseminating knowledge and expertise [15]. A study by [20] observed that the presence of high-potential soonicorns in an ecosystem creates a gravitational effect, drawing venture capital interest towards the region and encouraging other startups to strive for similar achievements. In India, where soonicorns are growing in number, their influence can be attributed to the dynamic environment of high valuation expectations and progressive business models, which collectively drive innovation and operational scalability among startups.

The mediating role of VC flows was confirmed through the data analysis, emphasizing VC as a primary conduit through which unicorns and soonicorns impact startup performance. Venture capitalists are more inclined to invest in ecosystems with high-profile successes, such as unicorns and soonicorns, due to reduced perceived investment risks. This trend aligns with existing literature, such as the work by [25], which demonstrated that the presence of high-valuation companies tends to reduce investor risk perception, encouraging greater VC inflows and investments in startups within that ecosystem. The high-profile success stories of unicorns help to build a brand for the ecosystem, attracting not only local but also international venture capital interest, as is evident in India's recent startup funding rounds [27]. Empirical studies show that increased venture capital investment often leads to higher rates of innovation, as measured by patent filings and new product introductions, further validating the role of VC as a catalyst for startup growth [14]. In the Indian context, venture capital support has been instrumental in scaling several tech startups, especially those in the e-commerce, fintech, and edtech sectors, where operational funding is critical for sustaining growth and competing in a crowded market [37].

The moderating effect of government policy support highlights the importance of a favorable policy environment in maximizing the impact of unicorns and soonicorns on the broader ecosystem. This study's findings demonstrate that in ecosystems where government policies are supportive through reduced regulatory barriers, tax incentives, and infrastructure development startups are more likely to thrive, and the positive influence of unicorns and soonicorns is further amplified. A study by [38] underscores that government policies aimed at providing tax benefits, infrastructure support, and capital access directly contribute to startup ecosystem development and enhance the performance of high-potential startups. Similar conclusions were reached in a study by [29], which found that regulatory support is a critical factor in ensuring the long-term sustainability of tech startups, especially in emerging economies where access to resources may be limited.

The findings of this study are consistent with RDT. RDT suggests that organizations depend on external resources for growth and sustainability, which is evident in the reliance of startups on venture capital inflows and policy support. Unicorns and soonicorns, with their substantial resources and strong investor backing, act as resource hubs that enhance access to financial, intellectual, and social capital for other startups. This resource dependence is especially crucial in emerging economies, where resources are often scarce and distributed unevenly [9][10]. Finally, startup founders in ecosystems with unicorns and soonicorns can leverage the presence of these high-profile companies to secure mentorship, funding, and talent. This study highlights the importance of aligning with government initiatives and understanding the dynamics of venture capital flows to optimize growth trajectories.

6. Conclusion

6.1 Theoretical Implications

This research advances the understanding of RDT within the context of emerging startup ecosystems, specifically focusing on how unicorns and soonicorns serve as vital resource providers and influencers. RDT posits that organizations depend on external resources to thrive, and those who can attract or leverage resources effectively are more likely to succeed [9][10]. Unicorns and soonicorns, as both resource attractors and market pioneers, embody resource dependency in the Indian startup ecosystem by drawing VC flows and attracting additional government policy support. These factors create a ripple effect, sustaining the growth of smaller startups in their ecosystems. Traditional RDT studies often focus on established industries or mature organizations, analyzing dependencies on resources like funding, infrastructure, and labor. This research extends RDT's application by exploring startups, typically high-risk entities with unique dependencies. By studying unicorns and soonicorns in the Indian circumstance, the research shows that dependency extends beyond immediate resources, influencing factors like market confidence and entrepreneurial innovation. Thus, RDT can now be seen as relevant to the behavior of early-stage ventures, where larger, influential startups significantly alter resource availability.

By highlighting the presence of unicorns, soonicorns, VC investment flows, and government support as critical components of startup growth, this study establishes a conceptual framework that can serve as a basis for future research. This framework is particularly relevant for ecosystems in emerging economies where startups face unique constraints and where growth is often dependent on a few high-performing firms. The integration of mediating and moderating factors within the framework provides a more advanced understanding of startup growth, encouraging further exploration of other influences on sector-specific policies or FDI in such contexts.

6.2 Practical Implications

The findings of this study provide suggestions for startup founders, venture capitalists, and other stakeholders within the Indian startup ecosystem. VC firms benefit from this study by gaining experience in how the presence of unicorns and soonicorns can act as indicators of growth potential for the entire ecosystem. By recognizing clusters around successful unicorns or soonicorns, VC firms can make more informed decisions on early-stage investments in smaller startups within those clusters. This approach reduces investment risk, as these startups are more likely to succeed when they are part of a vibrant ecosystem supported by influential unicorns or soonicorns.

Unicorns and soonicorns often belong to high-growth sectors like fintech, e-commerce, and SaaS, and their success creates sector-specific investment trends. By tracking unicorn development in these sectors, both private and public sectors can direct resources and funding towards innovative projects within these industries. For instance, the government might prioritize infrastructure development for sectors in which unicorns are flourishing, thus encouraging complementary startups to grow in these areas and maximizing the unicorn impact on economic growth. The findings suggest that unicorn and soonicorn influence can lead to long-term ecosystem sustainability by creating a self-sustaining cycle of growth and investment. Stakeholders can focus on building sustainable growth paths for startups, supporting them beyond the initial growth stages to prevent market stagnation. Such efforts could include fostering sector-specific clusters or implementing policies that ensure a steady flow of VC investment across startups of different stages, maintaining a continuous cycle of innovation.

6.3 Limitations and Future Research

While this research provides valuable perceptions into the influence of unicorns and soonicorns on the Indian startup ecosystem, it has some limitations. The study focuses specifically on the Indian startup ecosystem, which may limit the generalizability of its findings to other emerging markets or developed economies with differing regulatory frameworks, venture capital environments, and levels of government support. Variations in these factors across regions might lead to different outcomes, meaning that the impact of unicorns and soonicorns could be more nuanced in other settings.

While government policy support is included as a moderating variable, the study does not account for the dynamic nature of policies and regulatory changes over time. Policies can evolve rapidly in response to economic shifts, market trends, or international pressures, impacting the effectiveness of government support as a moderator. Future studies could track the influence of unicorns and soonicorns over time to analyze how long-term policy changes affect their impact on other startups.

References

[1.] Dwivedi, D. P. K. (2022). Startup Ecosystem in India: Investment Concentration, Unicorns and Performance of Government. Stochastic Modeling & Applications, 26(3).

[2.] Rajora, P. A study of SOAR analysis for startups entrepreneurial development in Haryana.

[3.] https://tracxn.com/d/geographies/india/__ujYf3QI9FSnpS3x-zJCSwnay2nENQhm1kAN-U8-6Kfg#Key-statistics. Accessed in November 2024.

[4.] Bethlendi, A., & Szőcs, Á. (2022). Geographical and sectoral overview of the most valuable start-ups: What factors have increased the number of unicorns globally? Információs Társadalom, 22(4).

[5.] Kothai, T. A. (2023). Indian Unicorns: Growth, Challenges and Impact on Corporate Finance. The Online Journal of Distance Education and e-Learning, 11(2).

[6.] Kumar, M., & Khattar, R. (2024). Study on Venture Capital Investments and its ability to stimulate Innovation and spur Economic Growth in India. Journal of Informatics Education and Research, 4(2).

[7.] Choi, S. K., Han, S., & Kwak, K. T. (2021). Innovation capabilities and the performance of start-ups in korea: the role of government support policies. Sustainability, 13(11), 6009.

[8.] Nagar, S., & Ahmad, S. A. (2024). The Startup India Scheme: Fostering Entrepreneurship and Innovation in the Indian Ecosystem. Journal of Informatics Education and Research, 4(2).

[9.] Coşkun, R., & Öztürk, O. (2023). Dependence as strategy: extending resource dependence theory and clarifying its understanding of the strategic options of dependent firms. International Journal of Organizational Analysis.

[10.] Ng, D., & Khodakarami, N. (2022). Fitting in as an outsider: a resource dependence theory approach to outside boards. Journal of Health Organization and Management, 36(2), 178-196.

[11.] Jiang, H., Luo, Y., Xia, J., Hitt, M., & Shen, J. (2023). Resource dependence theory in international business: Progress and prospects. Global strategy journal, 13(1), 3-57.

[12.] Bustamante, C. V., Matusik, S. F., & Benavente, J. M. (2021). Location capabilities, institutional distance, and start-up survival. Global Strategy Journal, 11(4), 548-577.

[13.] Chang, Y. Y., & Chen, M. H. (2020). Creative entrepreneurs' creativity, opportunity recognition, and career success: Is resource availability a double-edged sword?. European Management Journal, 38(5), 750-762.

[14.] Nuthalapati, C. S., & Nuthalapati, C. (2021). Has Open innovation taken root in India. Evidence from startups working in food value chains. Circular Economy and Sustainability, 1-24.

[15.] Jha, V. K., Roshan, R., & Sinha, S. (2024). Accelerating start-ups' leap to unicorns: the role of founders' ambidextrous orientation. International Journal of Entrepreneurial Behavior & Research.

[16.] Singh, C. B., Bharti, R., & Jain, S. (2024). A Comprehensive Analysis Of Startup Ecology In India With Reference To Young Entrepreneurs In Digital Era. Involvement International Journal of Business, 1(3), 210-222.

[17.] Bhatia-Kalluri, A., & Caraway, B. R. (2023). Transformation of the digital payment ecosystem in India: a case study of Paytm. Social Inclusion, 11(3), 320-331.

[18.] Brown, K. C., & Wiles, K. W. (2020). The growing blessing of unicorns: The changing nature of the market for privately funded companies. Journal of Applied Corporate Finance, 32(3), 52-72.

[19.] Kumari, N. (2023). Unicorn Ecosystem in India: A Comprehensive Analysis. International Journal of Innovations in Science, Engineering And Management, 31-39.

[20.] Basu, P. (2022). Digital Transformation of India by and with Startups, Soonicorns and Unicorns. The Management Accountant Journal, 57(2), 79-85.

[21.] Holla, N. (2022). India's unicorn step-function growth signals the emergence of its innovation ecosystem. Raisina files, 118.

[22.] Pearce, D. D., & Pearce II, J. A. (2020). Distinguishing attributes of high-growth ventures. Business Horizons, 63(1), 23-36.

[23.] Taneja, H. K. (2024). Exploring the success of Indian unicorns: A study of growth trends and economic impact. International Journal of Science and Research Archive, 12(2), 537-545.

[24.] Kato, A. (2021). A literature review of venture capital financing and growth of SMEs in emerging economies and an agenda for future research. Academy of Entrepreneurship Journal, 27(1), 1-17.

[25.] Bellucci, A., Fatica, S., Georgakaki, A., Gucciardi, G., Letout, S., & Pasimeni, F. (2023). Venture capital financing and green patenting. Industry and Innovation, 30(7), 947-983.

[26.] Pardesi, S. Assessing the entrepreneurial ecosystem readiness to support high-growth digital startups in South Africa.

[27.] Standaert, T., Knockaert, M., & Manigart, S. (2022). Venture capital winners: A configurational approach to high Venture capital-backed firm growth. British Journal of Management, 33(1), 211-230.

[28.] Santoso, S. (2020). Optimizing access to financial capital of creative economy for startups towards global competitiveness. Business Economic, Communication, and Social Sciences Journal (BECOSS), 2(2), 181-189.

[29.] Audretsch, D., Colombelli, A., Grilli, L., Minola, T., & Rasmussen, E. (2020). Innovative start-ups and policy initiatives. Research Policy, 49(10), 104027.

[30.] Chillakuri, B., Vanka, S., & Mogili, R. (2020). Linking sustainable development to startup ecosystem in India-a conceptual framework. International Journal of Business and Globalisation, 25(2), 139-153.

[31.] Yeboah, S. (2023). Unlocking the Global Chessboard: FDI Policies and their Impact on Entrepreneurial Ecosystems.

[32.] Bhatt, S., Sharma, D. A., & Kaushal, D. (2020). Relationship between cultural social norms and availability of entrepreneurial funding: Mediating effect of government policies, priorities, support and ease of doing business. International Journal of Management, 11(9).

[33.] KHANDELWAL, P., & ASTHANA, D. P. (2023). Analyzing the Role of Government Policies in Fostering Innovation and Entrepreneurship in India's Technology Startups.

[34.] AKIL, M. (2024). INNOVATIVE FUNDING SOURCES OF START-UP (Doctoral dissertation, JAMIA MILLIA ISLAMIA).

[35.] Venâncio, A., Picoto, W., & Pinto, I. (2023). Time-to-unicorn and digital entrepreneurial ecosystems. Technological Forecasting and Social Change, 190, 122425.

[36.] Torres, P., & Godinho, P. (2022). Levels of necessity of entrepreneurial ecosystems elements. Small Business Economics, 59(1), 29-45.

[37.] David, D., Gopalan, S., & Ramachandran, S. (2021). The startup environment and funding activity in India. In Investment in startups and small business financing (pp. 193-232).

[38.] Singh, V. K. (2021). Policy and regulatory changes for a successful startup revolution: Experiences from the startup action plan in India. In Investment in Startups and Small Business Financing (pp. 33-67).