# A STUDY ON FINANCIAL SUSTAINABILITY OF UNICORNS

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**Abstract**

Financial sustainability is a critical factor in determining the long-term success of unicorn startups, which are privately held companies valued at over one billion dollars. While many unicorns achieve rapid growth through innovation, technology, and significant venture capital investments, sustaining profitability and operational efficiency remains a major challenge. This study examines the financial sustainability of unicorn companies by analyzing key financial indicators such as revenue growth, profitability, liquidity, cash flow management, capital structure, and funding patterns. It also explores the impact of market competition, changing economic conditions, and strategic financial decisions on their long-term viability. The research aims to identify the factors that contribute to sustainable growth and assess the risks associated with excessive dependence on external funding. The findings are expected to provide valuable insights for investors, entrepreneurs, policymakers, and financial analysts in understanding how unicorn startups can balance rapid expansion with financial stability and achieve long-term business success in a dynamic global market.

## Introduction to the study

The rapid growth of the global Unicorn ecosystem in the past few decades has captured the attention of entrepreneurs, investors, and policymakers alike. Unicorns, particularly those in the technology, biotech, and fintech sectors, have become a cornerstone of innovation, creating jobs, developing new products, and revolutionizing entire industries. The funding of these Unicorns plays a critical role in their ability to scale, innovate, and succeed. Investors, ranging from angel investors and venture capitalists (VCs) to private equity firms and crowdfunding platforms, are essential to ensuring that Unicorns have the necessary capital to grow. However, understanding the funding patterns and investor behavior is a complex challenge that requires a nuanced approach. This research delves into the intricacies of Unicorn funding, exploring how investor behavior influences funding decisions, the types of funding available, and the trends that have shaped the landscape over time.

### The Unicorn Ecosystem: A Global Phenomenon

The term "Unicorn" refers to a nascent business, typically in the early stages of development, which aims to solve a particular problem, often with an innovative or scalable solution. These companies are typically characterized by high growth potential, a flexible business model, and a reliance on technology. Over the last two decades, the Unicorn ecosystem has expanded globally, with cities such as Silicon Valley in the United States, London in the United Kingdom, Berlin in Germany, and Bengaluru in India becoming key hubs for entrepreneurial activity. Unicorns are responsible for much of the innovation seen across various industries, from social media platforms like Facebook and Twitter to ride-sharing services such as Uber and Lyft.

For many entrepreneurs, securing funding is one of the most challenging aspects of starting a business. While some founders bootstrap their companies or rely on family and friends, others seek out external investors who can provide the necessary capital to scale their ideas. The ability of a Unicorn to secure funding often determines whether it will succeed or fail. Therefore, understanding the patterns in Unicorn funding and the factors that influence investor behavior is crucial for both entrepreneurs and investors.

**The Role of Funding in Unicorn Growth**

Funding plays a critical role in the growth trajectory of Unicorns. At its core, funding is necessary to cover the costs associated with product development, marketing, operations, talent acquisition, and scaling. Without sufficient capital, Unicorns often struggle to bring their ideas to market, attract customers, and expand their reach. However, the type of funding a Unicorn receives can significantly impact its development, the control of its founders, and its long-term success.

There are several stages of funding that a Unicorn typically goes through during its lifecycle. The first stage is often the seed stage, where the business is in its infancy, and funding is used to build a prototype, validate the business idea, and develop a go-to-market strategy. At this stage, entrepreneurs may seek funding from family, friends, or angel investors, who are typically willing to take on high levels of risk in exchange for the potential of high returns. Seed funding is generally smaller in amount compared to later-stage funding but is critical for the initial steps of the business.

As the Unicorn grows and demonstrates the potential for success, it may move into the next phase: the Series A round. Series A funding is typically provided by venture capitalists who have a vested interest in companies that show significant growth potential. This stage allows the Unicorn to scale its operations, expand its team, and refine its product offering. Series B, C, and D funding rounds follow, with each round involving larger investments from more institutional investors, such as private equity firms, corporate venture arms, and public markets in some cases. The later the stage, the higher the expectation of profitability, with investors typically looking for businesses that are scaling rapidly, capturing market share, and demonstrating a path to sustainable profitability.

Beyond traditional funding mechanisms, new forms of financing, such as crowdfunding, have emerged in recent years. Platforms like Kickstarter, Indiegogo, and GoFundMe allow Unicorns to raise capital from a large number of individual investors or backers, typically in exchange for early access to products or equity in the business. Crowdfunding has democratized the funding process, providing opportunities for Unicorns that might not otherwise have access to venture capital or angel investors.

## Objectives of the Study

This research aims to provide a comprehensive analysis of Unicorn funding patterns and investor behavior. Specifically, it seeks to:

- To find out the present Investments of investors.
- To identify the purpose of investments of investors.
- To assess the time horizon of investment of investors.
- To identify the various factors considered before investing by the investors

## Scope of the Study: Financial Sustainability of Unicorns: A Study of Funding Patterns and Investor Behavior

The scope of the study titled **"Financial Sustainability of Unicorns: A Study of Funding Patterns and Investor Behavior"** aims to explore various facets of financial activity within the Unicorn ecosystem, specifically focusing on how these businesses secure funding and how investors make decisions regarding the allocation of resources. This research will provide critical insights into the financial dynamics that drive Unicorns, how funding sources vary, and how investor behavior influences the outcomes of these entrepreneurial ventures.

### 1. Unicorn Funding Mechanisms

This study will begin by identifying the different types of funding available to Unicorns. These include but are not limited to, **bootstrapping**, **angel investment**, **venture capital**, **crowdfunding**, and **corporate funding**. Each of these funding mechanisms plays a critical role in shaping the financial trajectory of Unicorns. The study will explore:

- **Sources of Funds:** How Unicorns access capital through these funding sources and the financial instruments used (equity financing, debt financing, convertible notes, etc.).
- **Stage of Investment:** An analysis of how different stages of Unicorn development (seed, early stage, and growth stage) influence funding patterns and investor expectations. This will cover the stages at which investors are most likely to participate, and the types of investments they prefer.
- **Sectoral Variations:** Different sectors may exhibit varying funding patterns, with some sectors (e.g., technology, healthcare, and fintech) attracting more investment due to their high growth potential and scalability. The scope of the study will examine how these sectors compare in terms of investment, risk, and reward.

**2**nvestor behavior is a crucial aspect of Unicorn funding, as the nature of investors—whether they are individual angels, venture capitalists, or corporate investors—greatly affects how Unicorns are funded and guided towards success. This study will address:

- **Risk Appetite:** Different types of investors have varying levels of risk tolerance, and this has a direct impact on the kinds of Unicorns they are willing to fund. The scope will explore how angel investors typically accept higher risks in exchange for potentially higher rewards compared to venture capitalists who may be more cautious and look for established business models.
- **Decision-Making Criteria:** The study will look at the factors that influence investor decisions. These include the potential for high returns, the track record and team of

the Unicorn, market potential, competitive advantage, and scalability. The role of **due diligence** and **financial forecasting** in this process will also be considered.

- **Investor-Unicorn Relationship:** The dynamics between investors and Unicorns are central to the growth of any venture. The study will look at how the relationship develops post-investment, how investors add value beyond capital (mentorship, network, and strategic guidance), and the importance of maintaining investor confidence in the early years of operation.
- **Exit Strategies:** An integral part of investor behavior is the exit strategy. The study will investigate how investors prefer to exit from their investments, whether through **IPOs**, **mergers and acquisitions**, or **secondary sales**, and how these strategies influence the long-term strategies of Unicorns.

### Limitations of the Study: Financial Sustainability of Unicorns: A Study of Funding Patterns and Investor Behavior

- The total number of financial instruments in the market is so large that it needs a lot of resources to analyze all of them. Handling and analyzing such a varied and diversified data needs a lot of time and resources.
- Time was a limiting factor.
- Only those investors who deal in capital markets are considered.
- Respondent's bias was another limiting factor.
- Reluctance of the people to provide complete information about them can affect the validity of the responses.
- The behavior of the active market participants will vary depending on market conditions. So the investment preferences in this current trend may not be the same in the future.

## CHAPTER 2: REVIEW OF LITERATURE

Many Organizations and individuals conducted several studies on the various aspects of the capital markets in the past. These studies were mainly related to various instruments of capital market, shareholding pattern, new issue market and scope, market efficiency, risk and return, performance and regulation of mutual funds etc. Hence an attempt is made to review some of the studies relevant to the topic in order to get into in depth details of the chosen study

**Abhijeet Chandra (2009)** in his article ―Individual Investors' Trading Behaviour and the Competence Effect‖ has analyzed the impact of competence of individual investors on their trading behaviour in the stock market. Individual investors take trading decisions based on their self-perceived competence that is influenced by several factors. The study examined the factors that determine the competence level of individual investors. Age, education, and income were found to be the most influencing factors of the individual investors' competence in the stock market activities and trading behaviour. The results of the study reveal that a person invests as per his/her own judgments once he/she perceives himself/herself more knowledgeable about investing. It finds that investors having high, high to moderate income and professional qualification are supposed to be more confident about their competence when it comes to trading in stock markets. Thus, it can be said that competence effect rules the trading behaviour of individual investors

**Aregbeyen & Mbadiugha (2011),** in their research article named ―Factors influencing investors decisions in shares of quoted companies in Nigeria‖ study says 20 variable grouping under social, economical, psychological and cultural factors influences investment decisions. The ten most influencing variables based on the ranking of the investor are motivation by people who have attained financial security through share investment, future financial security, recommendations by reputable and trusted stock brokers, management team of the company, awareness of the prospects of investing in shares, composition of board of directors of the companies, recent financial performance of the company, ownership structure of the company and reputable predictions of future increment .

**Baker and Haslem (1973)** in their study titled ―Information needs of individual investors‖ the importance of accounting information for investment decisions was identified as one of the selection criteria. Financial statements were also found to be another important source of information for a minority of individual investors in some other studies. Further, evidence revealed that corporate reports are dramatically considered by investors as the most important sources of information for investment decisions .

**Brad M. Barber, Terrance Odean (2008),** in their research article titled ―All That Glitters: The Effect of Attention and News on the Buying Behaviour of Individual and Institutional Investors‖, tested and confirmed the hypothesis that individual investors are net buyers of attention-grabbing stocks, e.g., stocks in the news, stocks experiencing high abnormal trading volume, and stocks with extreme one-day returns. They hypothesize that many investors consider purchasing only stocks that have first caught their attention. Thus, preferences determine choices after attention has determined the choice set.

## Research Methodology

This section outlines the research methodology employed in the study, focusing on secondary data analysis to examine funding patterns and investor behavior in Unicorns. The methodology includes the research design, sampling design, and tools of study, with a specific emphasis on using Microsoft Excel for data analysis.

A Research design is purely and simply the framework of plan for a study that guides the collection and analysis of data. The study is intended to find the determinants of retail investor behaviour on investment decision. The study design is descriptive in nature.

TYPE OF RESEARCH- DESCRIPTIVE RESEARCH . Descriptive study is a fact-finding investigation with adequate interpretation. It is the simplest type of research and is more specific. Mainly designed to gather descriptive information and provides information for formulating more sophisticated studies.

Sampling Design

1. Selection of study area: The study area is of individual investor .
2. Selection of the sample size: 100

Target Population

It is useful to be suggestive that the data the researcher is interested in are the attitude and behaviour of investors (individual investors). Since the present study aims to examine the most influential factors for individual investors, the target population for the survey is individual investors.

DATA COLLECTION

1. Primary data – collected through Structured Questionnaire.
   Data are collected through a survey of individual investors based in saharanpur. The sample is drawn using the convenient sampling technique .The researcher contacted the individual investors and requested them to participate in the study; out of which about more than 180 individual investors agreed to participate in the survey out of which 100 completely filled questionnaires were taken which were used for final analysis. The questionnaires were distributed through, e-mails, and also through the executives of the participating broking firm in some cases.

2. Secondary data – Earlier records from journals, magazines and other sources.

TOOLS OF THE STUDY

1. Percentage analysis

2 Excel

# CHAPTER 3: INDUSTRY & COMPANY PROFILE

## INDUSTRY PROFILE

The Financial Information Services industry provides the critical "oxygen" (data, news, and analytics) that powers global capital markets. Every investment bank, private equity firm, hedge fund, and corporate strategy team relies on these platforms to screen for targets, value companies, manage risk, and execute trades.

- **Market Structure:** It is a highly consolidated oligopoly. A few massive players control the vast majority of the market due to the incredibly high barrier to entry (it takes decades and billions of dollars to build a database of global financial histories).

- **The "Big Four" Competitors:**
    1. **Bloomberg (The Bloomberg Terminal):** The undisputed king of real-time trading data and fixed income.
    2. **S&P Capital IQ:** The leader in deep fundamental data, private company screening, and Excel integration for investment banking.
    3. **FactSet:** A massive competitor favored by buy-side asset managers and portfolio managers.
    4. **Refinitiv (Now part of London Stock Exchange Group / LSEG):** Strong in forex, commodities, and broad market data.

**Market Size & Economics**

- **Global Valuation:** The global financial market data and analytics industry is valued at approximately **$35 to $40 Billion USD** (roughly **₹2.9 Lakh Crore to ₹3.3 Lakh Crore**) and grows consistently at 5% to 7% annually.
- **Business Model:** The industry operates on an incredibly lucrative **B2B SaaS (Software as a Service)** model. Firms charge high annual subscription fees per user (a "seat" on Capital IQ can cost between $10,000 to $15,000+ per year), leading to highly predictable, recurring revenue streams and massive profit margins.

**Key Trends Shaping the Sector in 2025/2026**

1. **The Rise of Private Markets Data:** As fewer companies go public, global capital has flooded into Private Equity and Venture Capital. The biggest race among data providers today (like PitchBook vs. Capital IQ) is who can provide the most accurate revenue, valuation, and cap-table data on *unlisted, private* companies.
2. **Generative AI & NLP Integration:** The industry is aggressively deploying GenAI. Capital IQ and its competitors now feature AI assistants that can read a 100-page corporate earnings transcript in seconds and instantly summarize management sentiment, regulatory risks, and strategic shifts.

3. **Alternative Data:** Investors no longer just want balance sheets. Data platforms are acquiring companies that track satellite imagery of retail parking lots, credit card transaction data, and global supply chain shipping logs to predict a company's revenue before they even announce it.

## COMPANY PROFILE

S&P Capital IQ is a premier, web-based financial data, research, and analytics platform used by top-tier investment banks, private equity firms, asset managers, and corporate executives globally. It provides deep fundamental data, quantitative research, and screening tools on public and private companies globally.

- **Founded:** 1999 (Acquired by Standard & Poor's / McGraw-Hill in 2004)
- **Parent Company:** S&P Global Inc.
- **Global Headquarters:** New York City, NY, USA
- **Major India Presence:** Hyderabad (HITEC City), Gurgaon, and Ahmedabad. *(S&P Global maintains a massive workforce in India, with its Hyderabad offices acting as a critical hub for global data operations, software development, and quantitative analysis for the Capital IQ platform).*
- **Industry:** Financial Information Services / FinTech / Market Data
- **Website:** www.spglobal.com/marketintelligence

- **2015:** S&P acquired SNL Financial (a leading provider of sector-specific data) and merged it with Capital IQ to form **S&P Global Market Intelligence**, creating a data powerhouse.
- **2022:** S&P Global completed a mega-merger with IHS Markit (valued at $44 Billion), integrating massive amounts of alternative data, supply chain metrics, and fixed-income analytics into the broader Capital IQ and Market Intelligence ecosystem.

### Core Business Segments & Offerings

Capital IQ is renowned for its depth of data and user-friendly interface. Its core verticals include:

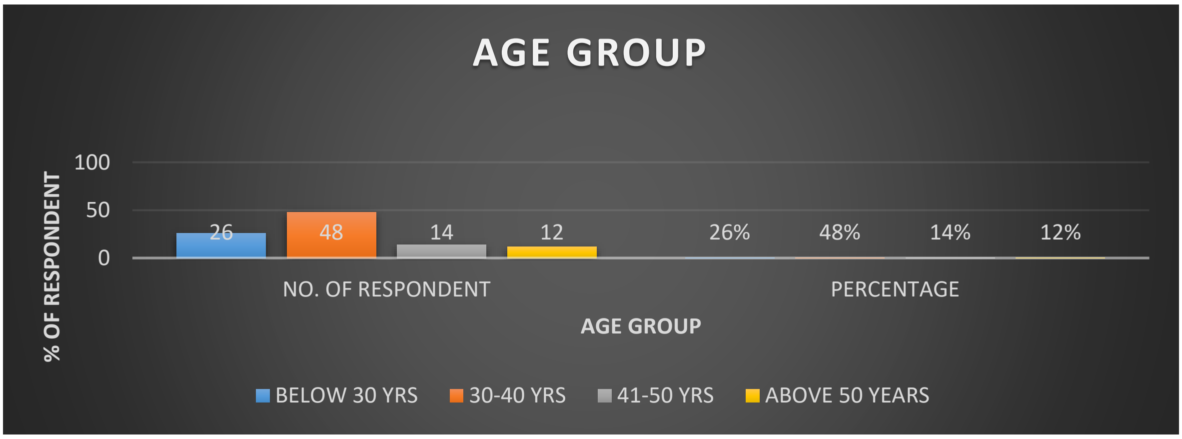
1. **The Capital IQ Platform:** A web-based portal providing comprehensive financial statements, M&A transaction histories, executive compensation, and ownership data for over 100,000 public companies and millions of private companies.
2. **Capital IQ Office / Excel Plug-in:** Widely considered the industry gold standard for financial modeling. It allows investment bankers and analysts to seamlessly pull live financial data, historical metrics, and comps directly into Excel spreadsheets to build valuation models.
3. **Data Feeds & API Integration:** Delivering massive, raw datasets directly into the proprietary software systems and cloud environments (like Snowflake) of quantitative hedge funds and institutional investors.

## CHAPTER 4: ANALYSIS AND INTREPRETATION

**TABLE NO: I**

DISTRIBUTION OF RESPONDENTS ACCORDING TO AGE GROUP

| AGE | NO. OF RESPONDENT | PERCENTAGE |
|---|---|---|
| BELOW 30 YRS | 26 | 26% |
| 30-40 YRS | 48 | 48% |
| 41-50 YRS | 14 | 14% |
| ABOVE 50 YEARS | 12 | 12% |



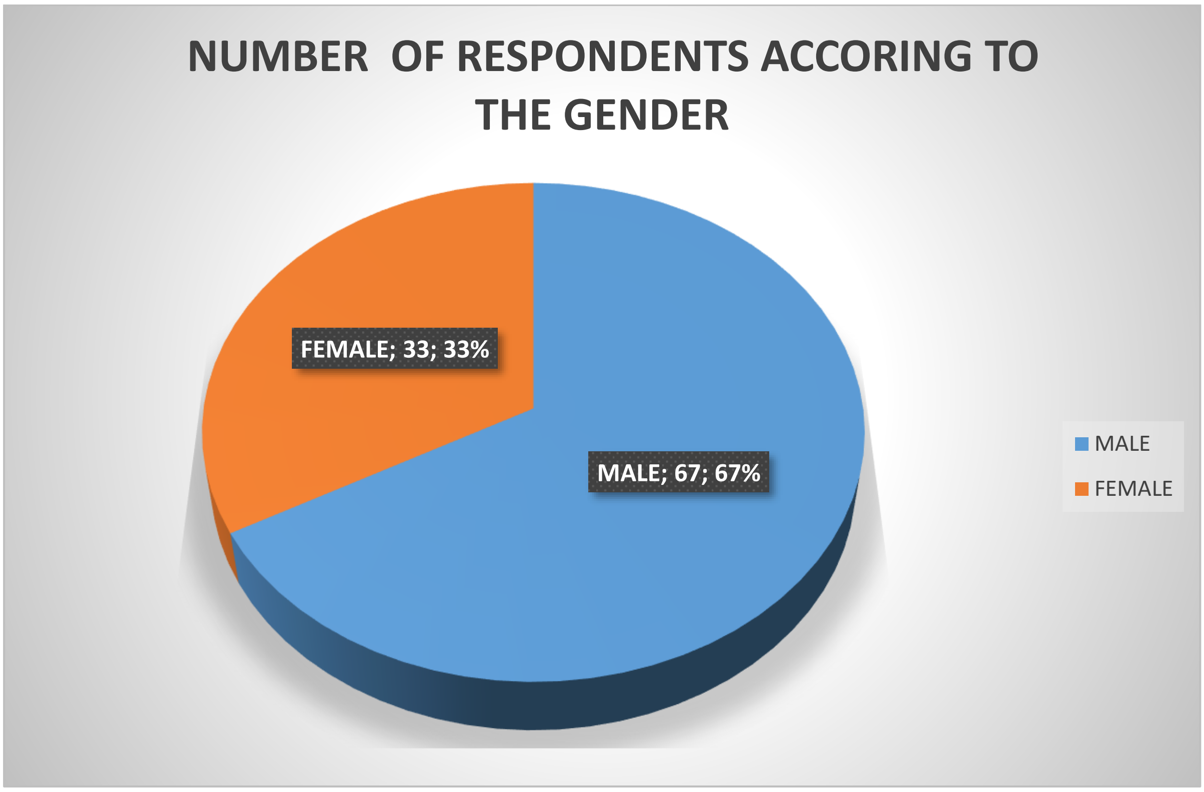
**INTERPRETATION**

From the above Table no: I, it is evident that out of 100 respondents 26% of the respondents belong to the age below 30 years, 48% of the respondents belong to the age between 30- 40 years, 14% of the respondents belong to the age between 41-50 years and 12% of the respondents belong to above 50yrs of age group. Hence, the investors belonging to the age between 30 - 40 years are major investors in the market.

**TABLE NO: II**

DISTRIBUTION OF RESPONDENTS ACCORDING TO THE GENDER

| GENDER | NO . OF RESPONDENTS | PERCENTAGE |
|---|---|---|
| MALE | 67 | 67% |
| FEMALE | 33 | 33% |



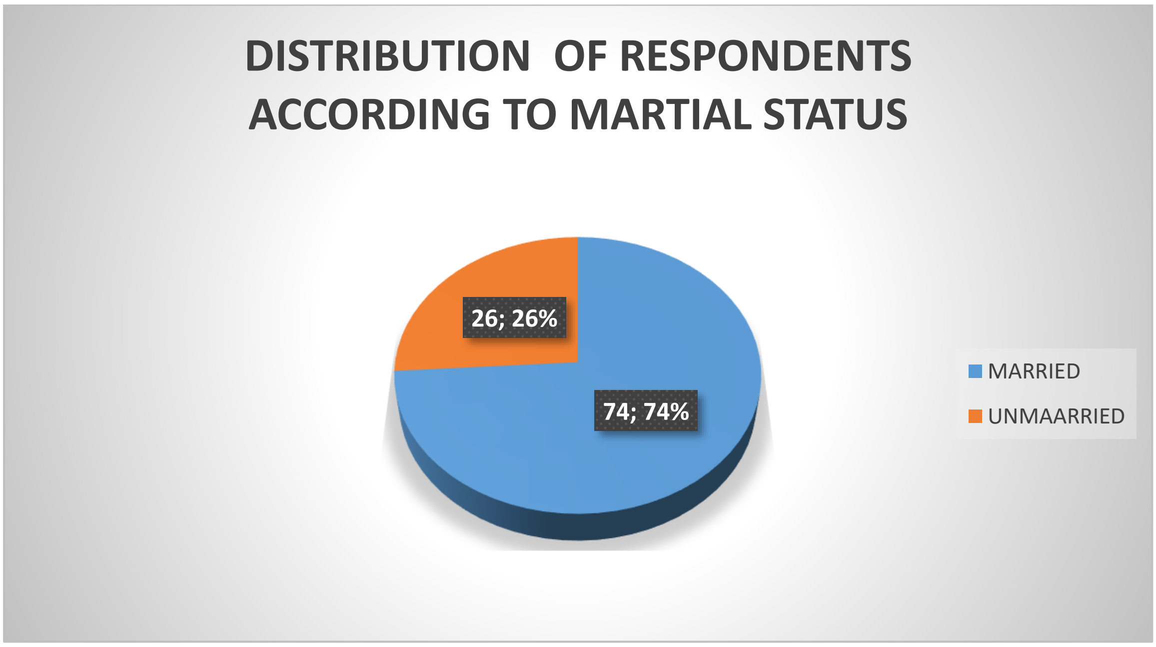

**INTERPRETATION**

From the above Table No: I, it is evident that out of 100 respondents, 67% of the respondents are male and 33% are female. It reveals that majority of the investors are male.

**TABLE NO: III**

DISTRIBUTION OF RESPONDENTS ACCORDING TO MARITAL STATUS

| MARTIAL STATUS | NO. OF RESPONDENTS | PERCENTAGE |
|---|---|---|
| MARRIED | 74 | 74% |
| UNMAARRIED | 26 | 26% |




**INTERPRETATION**

From the above Table No: III it is evident that out of 100 respondents 74% of the respondents are married and 26% of the respondents are unmarried.

## CHAPTER 5: FINDINGS OF STATISTICAL ANALYSIS

CORRELATION ANALYSIS PROVED THAT

- There is a significant relationship between the level of knowledge on investment market of the investors and expected rate of return on investment by the investors

- There is a significant relationship between the proportion of investment from the income of the investor and level of risk taken by the investors

## SUGGESTIONS

- Investors should make the investment with proper planning keeping in mind their Investment objectives.
- Proper guidance should be provided to the investors to diversify their investment to get optimal rate of return with minimal risk.
- Regular follow up and personalized service towards investor's portfolio can help in developing reputation, trust and long term relationship.
- Management shall make the investors to get update about the latest Investment opportunities available in the market through monthly news edition, emails about market trends, factsheets etc.
- Management should encourage women investors to invest in the various investment opportunities.

## CONCLUSION

Training is a platform of learning helping the researcher in understanding the industry and the organization with a special emphasis on the development of skills in analysing and interpreting practical insights Broking firm which helped in enriching the knowledge on investment market.

With the aim to study the investor behaviour on investment decision, the researcher collected primary data through structured questionnaire and analyzed the data and proved through various statistical tools. The primary data analysis proved that with the increase in age there is an increase in the risk tolerance level among the investors, the level of knowledge on investment market leverages the expected rate of return of the investors and as the proportion of investment from the income increase, the risk taken also increases. The individual investor still prefers to invest in financial products which give risk free returns. This confirms that investors even if they are of high income, well educated, with a good occupation, are conservative investors preferring to play safe. The investment product designers can design products which can cater to the investors who are low risk tolerant.

This study reveals that most of the investors are looking to meet out their future expenses as their major motive towards the investment. The study reveals that technical analysis is given more importance as compared to fundamental analysis and market sentiments to make an investment decision but found that investors do follow all the three ways in making their investment decisions.

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