

# Vikshit Bharat: A Threat to the Global Order? - India's Rise to the World's Fourth-Largest Economy and the Growth Path for Startups & Unicorns

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## ABSTRACT

Recently, Sep – Oct 2025, India overtook Japan to become the world's fourth-largest economy in terms of nominal GDP. This achievement has significant symbolic and strategic meaning, positioning India not only as a high-growth economy but also as a potential re-shaper of global economic dynamics. With the United States, China, and Germany holding the top three positions, India's rise signals the steady shift of economic gravity toward Asia. However, this milestone is not just about GDP numbers—it is about the evolving structure of India's economy, the dynamism of its startup ecosystem, the rise of unicorns, and the technological innovation that is creating new pathways for employment and industrial growth. This case study is about India's rise to the World's fourth-largest economy and the growth pathways for startups and Unicorns and their impact on the world market.

At the same time, this shift raises important questions. For advanced economies like Japan and Germany, India's momentum threatens their long-standing influence in global trade and technology markets. For China, India represents a challenger for capital flows and supply-chain leadership. For the United States, India is both a partner and a competitor, particularly in technology and talent. This case explores how India's startups and unicorns contribute to its economic rise, what opportunities and risks lie ahead, and what strategies India must pursue to sustain its trajectory while balancing global tensions.

## THE MACRO MILESTONE: INDIA OVERTAKES JAPAN

The International Monetary Fund (IMF) and Statista data indicate that India's nominal GDP in 2025 reached USD 4.19 trillion, marginally surpassing Japan's USD 4.18 trillion. This transition was not accidental but the outcome of two simultaneous forces: India's robust domestic growth and Japan's long-term stagnation. While India has been expanding at an average annual rate of 6–6.5% over the past decade, Japan's economy has remained constrained by low productivity, aging demographics, and deflationary pressures.

India's growth trajectory reflects its young population, rising consumption base, expanding services sector, and gradual improvements in manufacturing. Yet, its per capita GDP remains at around USD 2,800–3,000, significantly lower than Japan (USD 33,000), Germany (USD 45,000), or the U.S. (USD 80,000). This per capita gap emphasizes the dual nature of India's challenge: while aggregate GDP puts India among the top powers, it must still address poverty reduction, productivity improvements, and job creation to achieve broad-based prosperity.

Rank	Country	Nominal GDP (USD Trillion)	Growth (2020–25)	Trend	Key Challenges
1	United States	~28.5	Stable, tech-driven		Fiscal deficits, political polarization

2	China	~18.5	Slowing from 8% to 4%	Debt overhang, demographic decline
3	Germany	~4.5	Moderate	Energy transition, export dependence
4	India	~4.19	Rapid, 6%+ growth	Jobs, infrastructure, inequality
5	Japan	~4.18	Stagnant	Aging, deflation, low innovation pace
6	UK	~3.6	Sluggish post-Brexit	Trade barriers, financial sector risks

## INDIA’S STARTUP AND INNOVATION ECOSYSTEM

The most compelling story of India’s economic transformation lies in its startup ecosystem. In 2015, India had fewer than 10 unicorns. A decade later, the country is home to over 110 unicorns, spanning fintech, SaaS, logistics, healthtech, edtech, and increasingly deeptech and AI. According to Moneycontrol, India ranks third globally in unicorn count, after the United States and China.

This transformation has been enabled by a unique mix of factors: government initiatives like Startup India, the rise of low-cost internet (driven by Jio’s entry into the telecom sector), a growing pool of venture capital, and the aspirational shift among young Indians who view entrepreneurship as a viable career path. The presence of digital public goods such as Aadhaar, UPI, and India Stack has also given startups a powerful launchpad to build scalable solutions at low cost.

What distinguishes India’s innovation ecosystem is its ability to serve both domestic and global markets. Fintech startups have leveraged UPI to create scalable models within India, while SaaS companies like Freshworks and Zoho have won global customers. Meanwhile, deeptech startups are beginning to target frontier areas such as semiconductors, renewable energy, and AI for Indic languages.

Year	Unicorn Count	Cumulative Valuation (USD Bn)	Leading Sectors
2015	9	30	E-commerce, Internet Services
2020	35	120	Fintech, EdTech, SaaS
2023	83	250	Fintech, SaaS, Logistics, HealthTech
2025	110+	350+	AI, Deeptech, Green Manufacturing

Unicorns are not just private-company valuations; they are leading indicators of economic dynamism. Their scaling generates multiplier effects across the economy. First, they serve as capital magnets, attracting global venture capital that flows into India instead of competing economies. Second, they nurture talent ecosystems, providing opportunities for engineers, designers, and managers, and spawning new waves of entrepreneurs. Third, unicorns drive industrial linkages, as their growth demands logistics, fintech infrastructure, cloud services, and manufacturing partnerships.

From a macroeconomic lens, unicorns contribute to GDP growth through innovation-led productivity gains, enhance India’s export potential (especially SaaS and IT services), and support employment creation at scale. If nurtured properly, India’s unicorn ecosystem could become the engine of its transition from a USD 4 trillion to a USD 7–8 trillion economy by 2035.

### Constraints and Risks

Despite optimism, structural challenges remain. Infrastructure gaps in logistics, electricity, and urban planning

often delay scale-up. Policy uncertainty, especially around data privacy, FDI norms, and taxation, creates hesitation among global investors. The Indian IPO market remains shallow compared to the U.S. or China, limiting exit opportunities. Talent gaps persist: while India produces engineers in large numbers, the supply of global product managers and deeptech researchers is still inadequate.

Global capital volatility poses another risk. Venture funding into Indian startups declined in 2022–23 when U.S. interest rates rose, showing the ecosystem's dependence on global liquidity. Moreover, rising protectionism globally could challenge India's export-oriented startups.

### **Strategic Moves for India**

To consolidate its position, India must adopt a multi-pronged strategy:

1. **Invest in Human Capital:** Scale higher education and incentivize diaspora talent to return, particularly in AI and advanced engineering.
2. **Deepen Capital Markets:** Expand IPO frameworks, simplify ESOP taxation, and encourage domestic institutional investors.
3. **Build Hardware and Green Manufacturing Ecosystems:** Accelerate PLI schemes for semiconductors, EVs, and clean energy.
4. **Policy Stability:** Provide clear, principle-based regulatory guidelines, especially in data, AI, and fintech.
5. **Boost R&D Spending:** Increase R&D expenditure from the current ~0.7% of GDP to at least 2%, aligning with OECD averages.

### **CHALLENGES FOR OTHER GLOBAL ECONOMIES**

India's rise has implications beyond its borders. Japan risks further marginalization as India captures FDI and technology investments. Germany's export-led model faces competition if India emerges as a competitive hub for green manufacturing and automobiles. China, which has traditionally dominated startup funding and supply chains, must contend with India's growing attractiveness to global investors wary of geopolitical risks in China. For the United States, India is a double-edged sword—an essential partner in balancing China, but also a competitor for capital, markets, and talent.

### **IMPLICATIONS FOR EMPLOYMENT AND INDUSTRIAL GROWTH**

Startups and unicorns are now central to India's employment story. They not only create direct jobs in engineering, marketing, and operations but also stimulate indirect employment across logistics, digital services, compliance, and finance. By aligning with industrial policy—particularly through initiatives like “Make in India” and “Digital India”—startups could catalyze the modernization of traditional industries. If leveraged strategically, India's unicorn ecosystem could bridge the gap between GDP growth and inclusive job creation, a challenge that has historically constrained the country.

### **CONCLUSION**

India's leap to the position of the world's fourth-largest economy is a milestone, but not the destination. The journey ahead depends on whether the country can translate startup dynamism into broad-based economic transformation. For policymakers, entrepreneurs, and investors, the challenge is to move beyond symbolic milestones and focus on long-term sustainability. For other global powers, India's ascent is both a threat and an opportunity, reshaping trade, technology, and investment flows. The case of “Vikshit Bharat” is therefore not just a story of GDP—it is the story of how innovation and startups can redefine global economic order.

## Teaching Notes

Target Audience: PGDM students in Economics for Managers, (class size: 55).

### Learning Objectives:

To analyze the macroeconomic implications of India based on Vikshit Bharath

To examine the role of startups and unicorns in shaping GDP growth and employment.

To debate India's strategic options for sustaining momentum.

To understand the global competitive implications of India's rise.

### Discussion Questions

1. Does overtaking Japan in nominal GDP change India's actual economic power? Why or why not?
2. How do unicorns contribute to GDP and employment, and what risks do they face?
3. Should India prioritize human capital, infrastructure, or capital markets to sustain its growth?
4. How should countries like Japan, Germany, China, and the U.S. strategically respond to India's rise?
5. Can startups alone sustain India's journey to becoming a USD 10 trillion economy?

### Suggested Class Flow (90 minutes):

1. Intro (10 mins): Macro context and exhibit discussion.
2. Group Work (25 mins): Students analyze opportunities and risks for Indian startups.
3. Presentations (20 mins): Groups present strategic recommendations.
4. Faculty Lecture (25 mins): Connects GDP data, startup ecosystem, and global competitiveness.
5. Wrap-up briefing (10 mins): Revisit key lessons and policy recommendations.