

## **An Empirical Study on Startup Funding Trends in India**

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*Any product idea takes physical form only after it gets the much needed funding, which is called the lifeline of a business. Funding is the money required by a business to start as well as to run the operations smoothly. When an idea development is in very initial stages the budding entrepreneur may choose to not raise funds from outsiders. However, when operations take a leap, funding is required for supporting different functions from product development to sales expansion and to increase customer reach. In the today's business scenario, funding and fund raising act have a catalyst role to play in the growth of a startup involving several financial tasks of an organization which need to be lined up and managed. Besides, the right allocation of funds is required to in order to achieve the defined financial agenda of a startup. In this paper an effort has been made to empirically analyze the trends of Startup Funding in India. Besides, sector wise and year wise data analysis is also carried out to understand the flow and movement of funds among different status. This paper is divided into different*

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*sections. Section I gives brief introduction of the subject-matter including explaining brief details of the concepts and terms used throughout the paper. Section II discusses the previous research done on the topic in the form of Literature review. Section III explains the research methodology including the scope of the study. In section IV data analysis and interpretation is carried out which leads to findings & recommendations. In the last sections the paper is concluded giving highlights of the trends of startup funding in India.*

[**Keywords** : Startups, Funding, Fund raising trends, Sources of funds, Startup India]

## **1. Introduction**

In old days many startups chose to not raise funding from third parties due to inaccessibility as well as due to limited resources, but recently seed funding and angel investors are buzz words along with government initiatives in form of Skill India, Startup India etc. To grow and upscale their operations, most startups do raise funding from different avenues available. Business goals of a startup can be achieved only with proper planning, acquisition and utilization of much needed funds. Only through regular monitoring of funds of a startup, all the financial hindrances can be removed from the path of success of startups.

Currently a startup needs to match up to the business standards and high level of competition from both Indian as well as global players. In such a situation, Funding and fund raising together can contribute to the growth of business by increasing the level of startup and making it sturdy to face the highest level of competition in corporate world and making it stabilized.

Whenever an entrepreneur wants to grow and scale, one may recourse to funding as research suggests that failure of startups are primarily caused due to lack of capital. At the same time, funding has been booster for the success of many startups like Apple, Google, and Amazon, making them big business giants today. Nowadays startups can avail different types of funding as they need such as Venture capital, angel investing, crowd funding, seed funding etc. Besides many startups accelerator programs are also working including Government support. This article puts forth five main reasons for which funding is required such as to grow startup idea on a solid base, making idea alive and proceed for the production, thus bringing it in operational stage. Only then business will be able to capture as much of the market in as little time as possible and

compete on the market with other dominant players through increased marketing and sales efforts in the process of demand creation. It is rightly said that Money attracts money so investors would like to invest in already flourishing companies which could help startups win big deals. Bagging big funding highlights the startup in the market and makes it visible in the market which creates prospective funding as well as demand base. Besides being profitable, big startups attract top talented professionals as well who would take such decisions striving towards a profitable and growing startup.

## **2. Literature Review**

**Agarwal (2021) :** In this article trends in the Indian startup ecosystem are explained which shows a year-on-year increase of over 17 percent in funding deals in first quarter of 2021. It also highlights about the investment trends, patterns, top sectors, and more. According to this report overall funding activity in the Indian startup ecosystem was positive in the first three months of 2021, with startups raising \$3.76 billion in funding across 257 deals, publicly available data analyzed from 2015-2021 and effects of pandemic was also shown. According to this Research article, the amount of funding raised and the number of deals seen in Q1 2021 was the highest across the past five consecutive quarters. More growth was visible in healthtech, Gaming, E-commerce, Edtech, Digit insurance etc. besides many startups also entered unicorn club during the period of the study.

**5 Reasons Why Your Startup Needs Business Funding (n.d.) :** This article explains the how funding is important for startups and have been contributing to the success of various startups like Apple, Google, Amazon etc. this article shows that those entrepreneurs who got large funding could grew and scale up in no time and at the same time lack of adequate funding also doomed various startups. A great idea and a strong will to succeed are just not enough in today's generation. If you're an entrepreneur who's looking to grow and scale, you might want to look into funding your startup business.

**Startup India (n.d.) :** Startup India is India's largest online entrepreneurship platform that allows startups to network, access free tools & resources and participate in programs & challenges. Through this portal, GOI provides vast online directory to connect

with other stakeholders in the Indian Startup Ecosystem. On this portal startups can connect with 50K+ other Startups which are spread across all sectors and stages. Budding entrepreneurs get an opportunity to get in touch with individual/institutional Investors as well as wide range of Mentors. Besides, Government of India provides Incubators to facilitate startups in various areas in the beginning. Various institutions are connected to giving deserving startups to give a chance to scale up as Accelerators. Along with all these, knowledge of many ancillary services required such as Banking, legal requirements, cloud services and more from Legal to HR to Finance to Customer Support. In order to keep their skills updated GOI provides list of entrepreneur-friendly courses on topics ranging from data analytics to design thinking. To give a platform to get noticed for innovation, one can participate in corporate & government challenges to get noticed, win cash grants, incubation, mentorship support and more.

**Naqvi (2021)** : This article explains about important points that startups should keep in mind when going for funding. As evident experience, Covid-19 has brought different experiences for different enterprises halting some businesses especially in hospitality and travel sector. At the same time, it became a game changer for some other sectors like edtech and gaming, even crossing pre-pandemic revenues. Besides, government's support to 'Vocal for Local' gave Indian businesses an opportunity to experiment and expand. This article gives some tips for startup founders to keep in mind when seeking funding in 2021 such as focus on products, building core strength subjects, confidence in the team, your strength & product, coordinating and communicating to build better relation between the founding and the core team for the common goal.

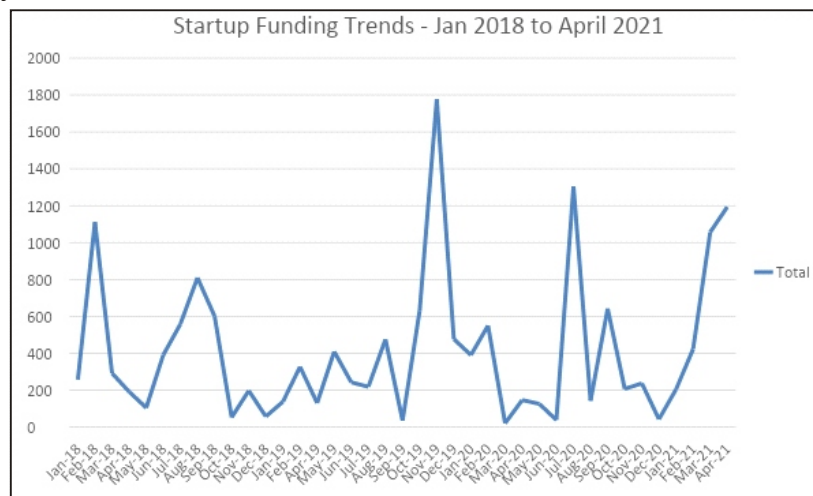
**Valecha (2016)** : This article explains the importance of Fund raising for the startups along with the funding procedure. It is also explained how funding in startups give them boost to grow and encash their rich potential to contribute to the growth of the economy. This paper explains the main objectives of fund raising in startups such as Meeting the financial objective of a startup, removing glitches from the path of success, matching the business standards and high level of competition etc. that's how, funding and fund raising activities can be utilized in order to stabilize the business of startups.

### 3. Research Methodology

In this article Descriptive Research Design is applied, wherein data analysis is carried out on the Startup funding in various sectors in India from January 2018 to April 2021. Total 15 sectors were analyzed in which Funding has been raised from different sources during the study period. Two types of analysis are carried out i.e. Time wise and sector wise and suitable conclusions are drawn.

### 4. Data Analysis & Interpretation

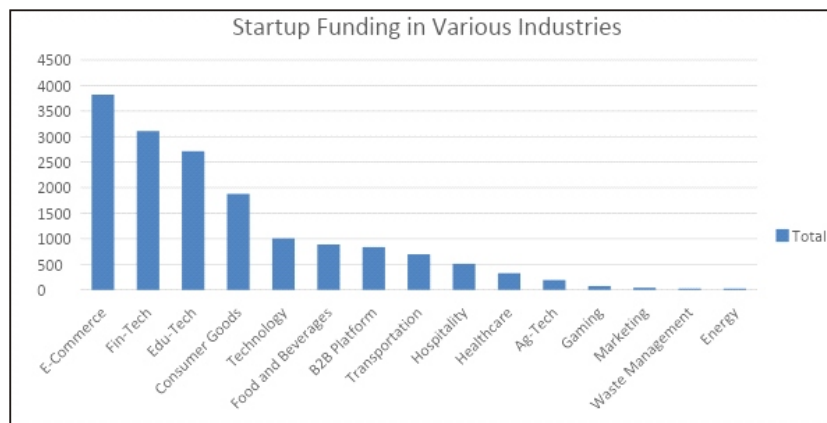
The following table shows the Startup Funding Trends from Jan 2018 to April 2021. During these 40 months various funding deals were finalized and these deals are shown as trends month wise and sector wise in the following two graphs. Following graph shows that highest amount of funding is received in the month of November 2019. Another height in funding is achieved in the month of July last year. Even after the impacts of Pandemic, Startups have been showing upward trends with few downfalls in the period of the study.



As is clear from the following table that during lockdown, e-commerce has shown a boost resulting in huge funding during pandemic situation where no one wants to step out of safe environment of home. At the same time Fin-Tech and Edu-tech has taken leads and bagged big deals. For Edu-tech much investment is sought due to increasing online education. Same information is shown in the form of graph followed by the table, which shows the trends of Startup Funding in various sectors during the study period.

**Table : Amount of Startup Funding in India from January 2018 to July 2021**

Startups' Sectors	Amount
E-Commerce	3824379043
Fin-Tech	3106703206
Edu-Tech	2711695245
Consumer Goods	1881506551
Technology	1007067006
Food and Beverages	890173829.1
B2B Platform	838000000
Transportation	696566841
Hospitality	509547045.2
Healthcare	326454000
Ag-Tech	192700000
Gaming	75700000
Marketing	41191900
Waste Management	26868600
Energy	26000000



## 5. Findings and Recommendations

Skills and knowledge of budding entrepreneurs is what is primarily looked for by the funding agencies and venture capitalists. It is important that the industry gaps are found and efforts should be made to fill them by identifying the needs of the consumers through primary and secondary research. Startup funding has shown an

upward trends in many sector which have made efforts to understand their consumers well as is evident in E-commerce, Fin-Tech, Edu-Tech etc. Startups should know their strengths and how can they fully utilize them. Keeping in view their competitive ability, Startups need to develop a strong business idea which can have a real impact on the lives of people.

Despite failures, many startups have led to innovations, which has been transforming the nature of jobs as well, benefitting the youth. Therefore there is a dire need of effacing startup ecosystem which will impact smaller cities as well and not just metropolitans. Although the pandemic has had its negative impact, if this trend continues, more and more opportunities are expected to emerge for the youth in the future.

## **6. Conclusion**

Recent past has brought several evolutionary changes in the startup investment industry as individual angel investors and crowd funding have added to the momentum. Besides, the cost of entry for tech startups has gone down to a great extent with the upgration of technology and its reach. No doubt many startups have faced huge difficulties in raising funding with limited lifecycle and changing portfolios and are still recovering from the economic downturn. Still there is huge scope to match talent with a vision for which investors tend to match the right talent to the right startup quickly and efficiently with introductions and mergers which would help the startups to grab this opportunity to move forward quickly to greater success. Of course, every new direction has some challenges yet every early-stage entrepreneur should be exploring this different funding alternatives through an appropriate SWOT analysis and be an instrument in the growth and development Indian Economy.

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