

Founder Fundraising Bottleneck Report

India's startup funding reached \$11.7 billion in FY26, driven by a 33% surge in early-stage deals. However, founders face severe execution bottlenecks today as investor due diligence timelines lengthen and pitch deck review periods drop below three minutes.

Abstract

Despite global macroeconomic headwinds, the Indian startup ecosystem continues to demonstrate structural maturity. The Government of India recognized a record 55,200 startups in FY 2025-26, rapidly expanding the base of ventures vying for institutional capital. Concurrently, while overall funding moderated to \$11.7 billion, early-stage investments grew substantially. This influx of early-stage capital is met with an increasingly stringent screening environment. Founders are caught in a dual bottleneck: investors are spending less than three minutes reviewing pitch decks, yet the ensuing due diligence process demands extensive operational and compliance rigor, often stretching beyond two months.

Key findings

- Indian startups raised \$11.7 billion in FY 2025-26, representing an 18% year-on-year decline but a 20% increase from FY 2023-24 levels, according to Tracxn.
- Early-stage funding demonstrated exceptional momentum, surging 33% to \$4.8 billion in FY 2025-26, in sharp contrast to a 38% decline in late-stage capital (Tracxn).
- The Government recognized more than 55,200 startups in FY 2025-26, marking a 51.6% year-on-year increase and bringing the total number of recognized entities above 2.23 lakh (PIB).
- Venture capital screening is polarizing: average pitch deck review times have dropped below 3 minutes (DocSend), while completing a seed round averages 83 days and 118 hours of diligence (SeedForge).
- Qualitative patterns observed in RaiseMoney applicant profiles reveal that startups frequently stall during term sheet negotiations due to self-reported operational compliance gaps and unresolved capital table disputes.

The Macro Picture: Capital Concentration

India's technology startup ecosystem secured \$11.7 billion in funding during FY 2025-26, securing its position as the fourth-highest funded country globally. According to Tracxn, this represents an 18% decline from the \$14.3 billion raised in FY 2024-25, indicating a

period of capital normalization rather than a systemic slowdown. Interestingly, capital deployment patterns have shifted dramatically across the maturity curve.

While late-stage funding contracted by 38% to \$5.6 billion, early-stage funding witnessed robust momentum, surging 33% year-on-year to \$4.8 billion. This rotation suggests that while mega-rounds are scarce, institutional investors retain deep conviction in scalable, growth-ready business models at the earlier stages, funneling capital selectively into high-quality assets.

The Rising Tide of New Ventures

The pipeline of new ventures seeking capital has reached unprecedented scale. Data from the Ministry of Commerce & Industry reveals that the government recognized more than 55,200 startups during FY 2025-26 under the Startup India initiative. This represents a 51.6% year-on-year increase and stands as the highest annual addition since the initiative's inception.

Cumulatively, the total number of recognized startups surpassed 2.23 lakh by March 2026, collectively generating over 23.36 lakh direct jobs. This exponential growth in company formation intensifies competition at the top of the fundraising funnel, forcing founders to differentiate themselves rapidly in a crowded market where investor attention is increasingly fragmented.

The Diversity Deficit in Tech Funding

Despite healthy early-stage liquidity, capital distribution remains uneven, particularly regarding gender diversity. Funding for women co-founded tech startups in India contracted by 12% year-on-year to \$1.0 billion in 2025, according to Tracxn's annual demographic report. Transaction volumes mirrored this decline, with total funding rounds dropping 29% from 574 to 405.

The seed-stage environment for women founders proved especially challenging, plummeting 24% year-on-year to \$261 million. However, mirroring the broader market, early-stage funding for women-led ventures displayed resilience, growing 12% to \$533 million, as investors concentrated larger cheques into fewer, high-conviction companies with proven revenue visibility and capital efficiency.

The Pitch Deck Reality

Capturing investor interest is harder than ever. Pitch deck analytics from DocSend highlight a steady decline in the time venture capitalists spend evaluating initial materials. While investors spent an average of 3 minutes and 44 seconds reviewing decks in 2015, recent 2025 data indicates that average review times have now dropped below three minutes.

This compressed window means founders must deliver an exceptionally structured narrative. The data reveals that investors disproportionately index their time on financials, team credentials, and competitive analysis. Pitching a product instead of a

scalable business model is frequently cited as a fatal flaw in early evaluations, limiting a startup's chance to advance to formal diligence.

The Diligence Bottleneck

Startups that successfully navigate the initial pitch face a rigorous secondary bottleneck: due diligence. According to SeedForge, completing due diligence for a seed round typically demands two to six weeks of concentrated effort, nested within an overall fundraising timeline averaging 83 days. This process requires approximately 118 hours of investor diligence, testing claims regarding market traction, cap table cleanliness, and technical viability.

Furthermore, research published by the National Bureau of Economic Research in July 2025 indicates that venture capitalists modulate diligence intensity based on market heat and physical distance, fundamentally trading off evaluation costs against optimal capital allocation. Startups must arrive with evidence pre-prepared to survive this protracted scrutiny.

Domestic Capital Maturation

The domestic capital pool continues to expand, providing a robust backstop for Indian startups. SEBI data as of March 31, 2026, reveals that Alternative Investment Funds (AIFs) have achieved a massive milestone, with total cumulative commitments reaching ₹16,94,262 crore. Within this architecture, Category I Venture Capital Funds alone have amassed ₹64,134 crore in commitments.

This expanding domestic asset base underscores the institutionalization of private market capital in India. However, the presence of substantial dry powder does not guarantee easy capital access; AIFs remain bound by strict regulatory and fiduciary mandates that necessitate comprehensive startup vetting before capital deployment.

Qualitative Learnings from the RaiseMoney Platform

Beyond macroeconomic statistics, qualitative observations from RaiseMoney applicant cohorts reveal critical execution gaps at the founder level. Based on non-statistical, self-reported mentor reviews, startups frequently stall during the institutional diligence phase due to inadequate financial reconciliation and poorly structured capital tables.

Founders routinely underestimate the legal compliance thresholds demanded by institutional investors, leading to protracted closing timelines. The qualitative consensus among RaiseMoney mentors is that proactive investor-readiness—specifically standardizing intellectual property assignments and maintaining audit-ready operational metrics—is often the definitive factor distinguishing successful fundraises from stalled term sheets.

Fundraising Bottleneck Scorecard

Common friction points causing delays during early-stage due diligence, based on qualitative mentor observations.

- Financial Projections — investors check: Reconciliation of deck claims against actual bank statements, invoices, and burn rate.. Common gap: Founders present aggressive top-line projections but lack fundamental unit economics and verifiable historical data.
- Capital Table Cleanliness — investors check: Clear founder equity, proper vesting schedules, and absence of dead equity.. Common gap: Informal advisor shares, missing vesting clauses, and unrecorded handshake agreements with early angels.
- Intellectual Property — investors check: Clear assignment of all core IP, code, and trademarks to the corporate entity.. Common gap: Code or domains are owned personally by the founders or former contractors rather than the company.
- Legal & Corporate Compliance — investors check: Proper incorporation, valid employment contracts, and statutory registrations.. Common gap: Delayed ROC filings, missing non-disclosure agreements, and absent employee confidentiality clauses.

Methodology & disclosure

- Sample size: Not disclosed
- Data collection period: FY 2025-26 and Q1 2026
- Respondent profile: Indian tech startups, early-stage founders, AIFs, and institutional investors.
- Geography: India
- Startup stage: Pre-seed to Late-stage, focusing on Seed and Early-stage.
- Methodology: This report synthesizes secondary market data from DPIIT, SEBI, Tracxn, and industry publications regarding Indian startup funding in FY 2025-26. Secondary data is contextualized with qualitative, non-statistical insights derived from self-reported applicant patterns and mentor reviews on the RaiseMoney platform. First-party qualitative observations focus strictly on common operational bottlenecks encountered during investor due diligence and pitch preparation.
- Self-reported responses: RaiseMoney applicant behaviors, compliance preparedness, and operational bottlenecks are strictly self-reported and qualitative.
- Limitations: Secondary data is constrained by differing reporting methodologies across intelligence platforms like Tracxn and Inc42. The qualitative first-party insights are self-reported by founders on the RaiseMoney platform and lack statistical representation. Consequently, these internal findings highlight subjective operational trends rather than universal empirical realities.
- Date of publication: 2026-08-04

Sources for every numerical claim

Each claim below links back to its original published source.

- India tech funding stood at \$11.7 billion in FY 2025-26, down 18% YoY. — \$11.7 Billion (Tracxn, 2026-05-26; FY 2025-26, India, n=Not disclosed)
- The Indian Government recognized 55,200 startups in FY 2025-26. — 55,200 (Press Information Bureau (DPIIT), 2026-04-17; FY 2025-26, India, n=Not disclosed)
- Women co-founded tech startups in India raised \$1 billion in 2025. — \$1 Billion (Fortune India / Tracxn, 2026-03-09; 2025, India, n=Not disclosed)
- Investors spend less than 3 minutes reviewing pitch decks. — < 3 minutes (DocSend / Dropbox, 2025-04-01; 2025, Global, n=Not disclosed)
- Average startup deal takes 83 days to close with 118 hours of due diligence. — 83 Days (SeedForge, 2026-07-13; 2026, Global, n=Not disclosed)
- Cumulative commitments in Indian Alternative Investment Funds (AIFs) reached ₹16,94,262 crore. — ₹16,94,262 Crore (SEBI, 2026-03-31; As of March 2026, India, n=Not disclosed)
- Venture capitalists trade off the costs of due diligence with capital allocation improvements. — Qualitative (National Bureau of Economic Research, 2025-07-01; 2025, Global, n=Not disclosed)

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