

Sector-wise Funding Readiness Report

India's tech ecosystem raised \$11.7B in FY 2025-26 amid a broader shift towards disciplined capital and rigorous due diligence. Despite a late-stage contraction, early-stage funding surged 33%, supported by record-high DPIIT startup registrations and deepening AIF commitments.

Abstract

The Indian startup ecosystem demonstrated mature resilience in FY 2025-26, ranking as the fourth most-funded globally with \$11.7 billion raised. While total funding declined 18% year-on-year, early-stage investments grew by 33% to \$4.8 billion. The foundational base of the market expanded rapidly, with the government recognizing a record 55,200 startups in a single year, bringing the nationwide total to over 2.23 lakh. Simultaneously, capital allocators have extended their evaluation periods. Data indicates average due diligence spans 118 hours per deal, while pitch deck reviews average under four minutes. RaiseMoney's first-party qualitative observations confirm that founders face unprecedented scrutiny on unit economics and legal readiness before securing institutional term sheets.

Key findings

- India's tech ecosystem raised \$11.7B in FY 2025-26, ranking 4th globally, representing an 18% decline from the previous fiscal year (Tracxn).
- Early-stage funding demonstrated strong momentum, growing by 33% year-on-year to reach \$4.8B in FY 2025-26 (Tracxn).
- A record 55,200 startups were recognized by DPIIT in FY 2025-26, pushing the total number of recognized startups past 2.23 lakh (Ministry of Commerce & Industry).
- Venture capital due diligence has intensified, with investors dedicating an average of 118 hours to diligence for a single deal that takes approximately 83 days to close (SeedForge).
- RaiseMoney's qualitative applicant data indicates an internal shift where mentors observe longer founder-investor negotiation cycles and stricter demands for demonstrable, clean capitalization tables and verifiable revenue streams before term sheets are issued.

Macro Funding Climate and Ecosystem Expansion

Total technology funding in India stood at \$11.7 billion for FY 2025-26, experiencing an 18% year-on-year decline but allowing the country to maintain its position as the fourth

most-funded tech ecosystem globally. At the base level, the entrepreneurial pipeline expanded aggressively; the government recognized 55,200 startups under the Startup India initiative during the fiscal year, bringing the cumulative national total to over 2.23 lakh entities.

Crucially, early-stage funding showed remarkable resilience in a tightening market, climbing 33% to reach \$4.8 billion in FY 2025-26. Conversely, late-stage funding contracted by 38% to \$5.6 billion. This divergence reflects a strategic recalibration by investors, prioritizing scalable, early-stage models over cash-intensive, late-stage valuations.

Sectoral Concentration and Geographic Hubs

Capital allocation in FY 2025-26 was highly concentrated in specific sectors, with Enterprise Applications, FinTech, and Retail emerging as the top-funded domains. Geographically, traditional hubs retained their primacy; Bengaluru and Mumbai captured 33% and 21% of the total annual funding, respectively.

RaiseMoney's qualitative cohort reviews parallel these figures, with our mentors noting a consistently high volume of Enterprise Software and FinTech applicants seeking structural readiness reviews. Moreover, approximately 50% of the DPIIT-recognized startups now originate from Tier-II and Tier-III cities, highlighting a gradual but definitive democratization of startup creation beyond major metropolitan centers.

Institutional Capital and Alternative Investment Funds

Domestic institutional capital remains a critical pillar for startup liquidity. By June 2025, total commitments raised by SEBI-registered Alternative Investment Funds (AIFs) surpassed ₹14.18 lakh crore, representing a 20% year-on-year growth. Category II AIFs accounted for the largest share of funds actually raised, securing ₹3.80 lakh crore.

Government-backed capital infusion mechanisms have also catalyzed downstream investments. By late 2025, AIFs supported by the Fund of Funds for Startups (FFS) had deployed ₹25,547.98 crore into 1,371 startups. This institutional backing ensures that venture-ready founders have access to diverse liquidity pools as they move past angel rounds.

The Changing Nature of Due Diligence

The operational velocity of venture deals has normalized, replacing the accelerated deployment cycles of previous years with rigorous vetting. Current timelines suggest that an average deal requires 83 days to close, embedding roughly 118 hours of dedicated due diligence. Concurrently, investor attention spans at the top of the funnel remain limited, with venture capitalists spending an average of just 3.7 minutes reviewing an 18-page pitch deck.

Qualitatively, RaiseMoney mentors observe that early-stage founders often underestimate the depth of this diligence burden. Startups that prepare exhaustive data

rooms encompassing legal, financial, and product validation well before the seed phase—which typically subjects founders to 2 to 6 weeks of focused diligence—are significantly better positioned to survive the vetting process and secure capital.

Startup Investor-Readiness Framework

Key parameters assessed by early-stage investors during due diligence, mapped against common founder pitfalls.

- **Financial Reconciliations** — investors check: Alignment of pitch deck financial projections with actual bank statements, invoices, and burn rates.. Common gap: Inadequate documentation of historical cash flows and unrealistic, unsubstantiated revenue projections.
- **Pitch Deck Conciseness** — investors check: Ability to articulate market size, team competency, and unit economics within an optimal 18-page limit.. Common gap: Overcrowded slides and excessive text; investors spend only 3.7 minutes on average per deck.
- **Corporate & Legal Cleanliness** — investors check: A clean capitalization table, proper founder vesting schedules, and secure intellectual property (IP) assignments.. Common gap: Disorganized equity structures and absent intellectual property transfer agreements between founders and the entity.
- **Market & Traction Verification** — investors check: Evidence of product-market fit, customer retention, and verifiable sales or user engagement.. Common gap: Relying on theoretical market estimates rather than demonstrable user engagement metrics or pilot revenues.

Methodology & disclosure

- **Sample size:** Over 2.23 lakh DPIIT-recognized startups tracked globally, complemented by qualitative insights from RaiseMoney's internal applicant pool.
- **Data collection period:** January 2014 to June 2026
- **Respondent profile:** Founders, venture capitalists, SEBI-registered Alternative Investment Funds (AIFs), and qualitative applicants from the RaiseMoney network.
- **Geography:** India
- **Startup stage:** Seed, Early, and Late Stage
- **Methodology:** We synthesized secondary data from DPIIT, SEBI, Tracxn, and academic research on venture capital dynamics. This quantitative baseline was cross-referenced with macroeconomic indicators and AIF commitment trends to map the macro funding climate. To capture ground-level operational realities, we integrated qualitative, non-statistical insights from RaiseMoney's proprietary mentor reviews and self-reported applicant evaluation forms.

- Self-reported responses: RaiseMoney applicant behaviors, mentor review patterns, and perceived investor negotiation timelines are purely qualitative and self-reported.
- Limitations: Secondary market intelligence sources may exhibit slight reporting discrepancies on funding volumes due to differing definitions of technology startups. SEBI AIF data relies on periodic self-reporting by funds, introducing minor analytical lags. RaiseMoney's internal data is purely qualitative and subject to self-selection bias from our specific applicant cohort.
- Date of publication: 2026-08-04

Sources for every numerical claim

Each claim below links back to its original published source.

- India's startups raised \$11.7B in FY 2025-26, ranking 4th globally. — \$11.7 Billion (Tracxn, 2026-05-26; FY 2025-2026, India, n=Not disclosed)
- Early-stage funding rose to \$4.8B in FY 2025-26, a 33% increase from FY 2024-25. — \$4.8 Billion (Tracxn, 2026-05-26; FY 2025-2026, India, n=Not disclosed)
- Total recognized startups crossed 2.23 lakh, adding 55,200 in FY 2025-26. — 2.23 Lakh+ (Press Information Bureau, 2026-04-17; FY 2025-2026, India, n=2,23,000+ entities)
- AIF commitments crossed ₹14.18 lakh crore in June 2025. — ₹14.18 Lakh Crore (Cafemutual.com / SEBI, 2025-09-08; As of June 2025, India, n=Not disclosed)
- Average deal takes 83 days to close with roughly 118 hours of due diligence. — 118 hours (SeedForge, 2026-07-13; 2026, Global, n=Not disclosed)
- Investors spend an average of 3.7 minutes on pitch decks. — 3.7 minutes (TechCrunch / DocSend, 2019-04-12; 2014-2019, Global, n=2.2 million links)

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