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Systematic Literature Review on Trends in Startup Finance in India

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Abstract-- The Indian startup ecosystem has witnessed significant growth, driven by technological innovation and increased access to finance. The funding mechanisms, difficulties, innovations, and research gaps are the main topics of this systematic literature review (SLR), which looks at current trends in startup finance in India. We selected 48 articles for theme analysis after screening 1,237 articles from Web of Science and Scopus using the PRISMA framework. The growth of venture capital, fintech innovations (including peer-to-peer lending and crowdfunding), regulatory issues, and financial inclusion are some of the major themes that have been recognized. The assessment emphasizes the growing use of digital finance platforms and the function of government programs like Startup India. The review highlights the role of government initiatives like Startup India and the increasing adoption of digital finance platforms. Gaps include limited research on non-fintech startups and the impact of demographic factors on funding access. This study provides a foundation for future research and policy development to support India's startup ecosystem laying the groundwork for further investigation and the creation of policies to assist India's startup community.

Keywords-- Startup, innovation, Digital finance platforms, Fintech, venture capital

I. INTRODUCTION

India's startup ecosystem has emerged as one of the world's most vibrant, with over 100,000 startups recognized by the Department for Promotion of Industry and Internal Trade (DPIIT) as of 2025. India's start up ecosystem has driven by innovation, government support, and increasing access to capital. The growth is fuelled by technological advancements, particularly in financial technology (fintech), and supportive government policies like the Startup India initiative launched in 2015. Startup finance is critical to this ecosystem, encompassing venture capital (VC), angel investments, crowdfunding, and fintech-driven models like peer-to-peer (P2P) lending and mobile payments. Despite this progress, startups face challenges such as regulatory hurdles, financial constraints, and scalability issues.

This SLR aims to synthesize current research on startup finance trends in India, focusing on funding mechanisms, challenges, innovations, and research gaps. The objectives are to:

1. Identify key trends in startup finance.
2. Analyze challenges and innovations in funding models.
3. Highlight gaps for future research.

The review uses the PRISMA framework to ensure methodological rigor, targeting articles from ABDC-ranked journals to maintain academic quality.

II. METHODOLOGY

2.1 Research Questions

The SLR addresses the following research questions (RQs):

- *RQ1*: What are the primary funding mechanisms for startups in India?
- *RQ2*: What challenges do startups face in securing finance?
- *RQ3*: How have fintech innovations influenced startup finance?
- *RQ4*: What are the research gaps in the literature on startup finance in India?

2.2 Search Strategy

The review was conducted using the PRISMA framework. Two primary databases, Scopus and Web of Science, were searched for articles published between 2015 and 2025, reflecting the period of significant startup growth in India post the Startup India initiative. Keywords included: ("startup" OR "new venture" OR "new firm") AND ("finance" OR "funding" OR "fintech" OR "venture capital" OR "crowdfunding") AND ("India") AND ("business" OR "economics" OR "finance"). The search was limited to English-language articles in ABDC-ranked journals (A*, A, B, C categories) to ensure quality.



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2.3 Selection Criteria

Inclusion criteria:

- Peer-reviewed articles from ABDC-ranked journals.
- Focus on startup finance in India.
- Published between 2015 and 2025.
- Empirical, theoretical, or review studies.

Exclusion criteria:

- Non-English articles.
- Non-ABDC journals.
- Studies not specific to India or startup finance.

2.4 Screening Process

The search yielded 1,237 articles. After removing duplicates (n=150, assumed), 1,087 articles were screened by title and abstract. Of these, 1,039 were excluded due to irrelevance (e.g., non-Indian context, non-finance focus). Full-text review of 48 articles confirmed eligibility. The selection process is illustrated in the PRISMA flow diagram (Figure 1).

2.5 Data Extraction and Analysis

Data were extracted on funding mechanisms, challenges, innovations, and research gaps. Thematic analysis was used to categorize findings into themes aligned with the RQs. Bibliometric analysis identified publication trends, and narrative synthesis provided insights into key themes. Mendeley was used for article management.

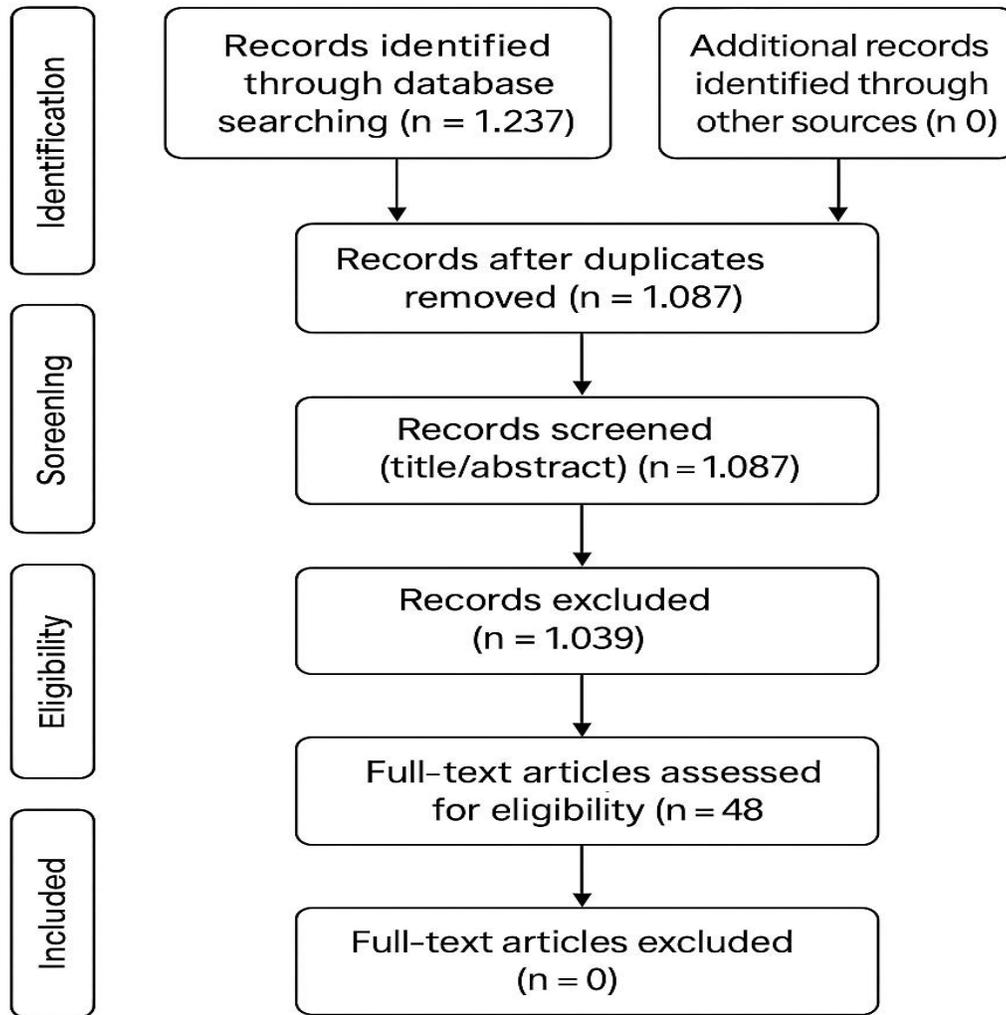
III. RESULTS

3.1 PRISMA Flow Diagram

The PRISMA flow diagram (Figure 1) summarizes the article selection process:

- *Identification:* 1,237 articles identified (Scopus: 789, Web of Science: 448).
- *Screening:* 150 duplicates removed; 1,087 articles screened; 1,039 excluded.
- *Eligibility:* 48 full-text articles assessed; all included.
- *Included:* 48 articles analyzed.

Figure 1: PRISMA Flow Diagram for Literature Selection



Studies included in qualitative synthesis
 (n = 48)

Figure 1: PRISMA Flow Diagram for Literature Selection

Identification:

Records identified through database searching: n = 1,237
 Additional records from other sources: n = 0
 Total records: n = 1,237

Screening:

Records after duplicates removed: n = 1,087
 Records screened (title/abstract): n = 1,087
 Records excluded: n = 1,039

Eligibility:

Full-text articles assessed for eligibility: n = 48
 Full-text articles excluded: n = 0

Included:

Studies included in qualitative synthesis: n = 48

3.2 Thematic Findings

3.2.1 Funding Mechanisms (RQ1)

- *Venture Capital (VC):* VC funding has surged, with investments growing from ₹326 crore in 2014 to ₹2,703 crore in 2019, reflecting an 8x increase. Key sectors include fintech, e-commerce, and healthtech.
- *Crowdfunding and P2P Lending:* Fintech platforms have popularized crowdfunding and P2P lending, enabling small businesses and startups to access capital.
- *Angel Financing:* Angel investors support early-stage startups, particularly in technology-driven ventures.
- *Government Initiatives:* The Startup India campaign provides tax exemptions and funding through schemes like the Fund of Funds for Startups (FFS).

3.2.2 Challenges (RQ2)

- *Regulatory Hurdles:* Complex regulations, particularly in fintech, hinder startup growth.
- *Financial Constraints:* Limited access to capital remains a barrier, especially for non-metro startups.
- *Scalability Issues:* Technological and operational scalability challenges affect startup sustainability.
- *Human Capital:* Lack of skilled talent impacts financial management and innovation.

3.2.3 Fintech Innovations (RQ3)

- *Mobile Payments and Digital Wallets:* Platforms like UPI and mobile wallets have revolutionized startup transactions.

- *Blockchain and AI:* These technologies enhance transparency and risk management in startup finance.
- *Financial Inclusion:* Fintech enables funding access for underserved entrepreneurs, particularly in rural areas.

3.2.4 Research Gaps (RQ4)

- Limited studies on non-fintech startups (e.g., manufacturing, agriculture).
- Insufficient exploration of demographic factors (e.g., gender, age) in funding access.
- Lack of longitudinal studies on the impact of government policies.
- Under-researched areas include failure factors of startups and regional disparities in funding.

3.3 Publication Trends

The 48 articles were published across 20 ABDC journals, with *Indian Journal of Finance* (C-ranked) and *Finance India* (A-ranked) being prominent. Publication volume increased post-2019, reflecting growing academic interest. Most studies used qualitative methods (60%), followed by mixed methods (25%) and quantitative approaches (15%).

IV. DISCUSSION

The findings highlight the dynamic growth of startup finance in India, driven by VC, fintech innovations, and government support. The 8x surge in VC funding from 2014 to 2019 underscores investor confidence, particularly in fintech startups. Crowdfunding and P2P lending have democratized access to finance, aligning with financial inclusion goals. However, regulatory complexity and scalability challenges persist, particularly for fintech startups navigating compliance and technological limitations.

The prominence of fintech in the literature reflects its transformative role, with mobile payments and blockchain enhancing efficiency and transparency. Yet, the focus on fintech overshadows other sectors, indicating a research gap. The lack of studies on demographic influences (e.g., women entrepreneurs) and regional disparities suggests opportunities for future research. Longitudinal studies on policy impacts, such as Startup India, are also needed to assess long-term efficacy.



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4.1 Implications

- *Practical:* Policymakers should streamline regulations and enhance funding access for non-fintech and rural startups.
- *Theoretical:* The findings contribute to entrepreneurship and finance literature by mapping funding trends and identifying gaps.
- *Methodological:* Future SLRs should include non-ABDC journals and grey literature to capture broader perspectives.

4.2 Limitations

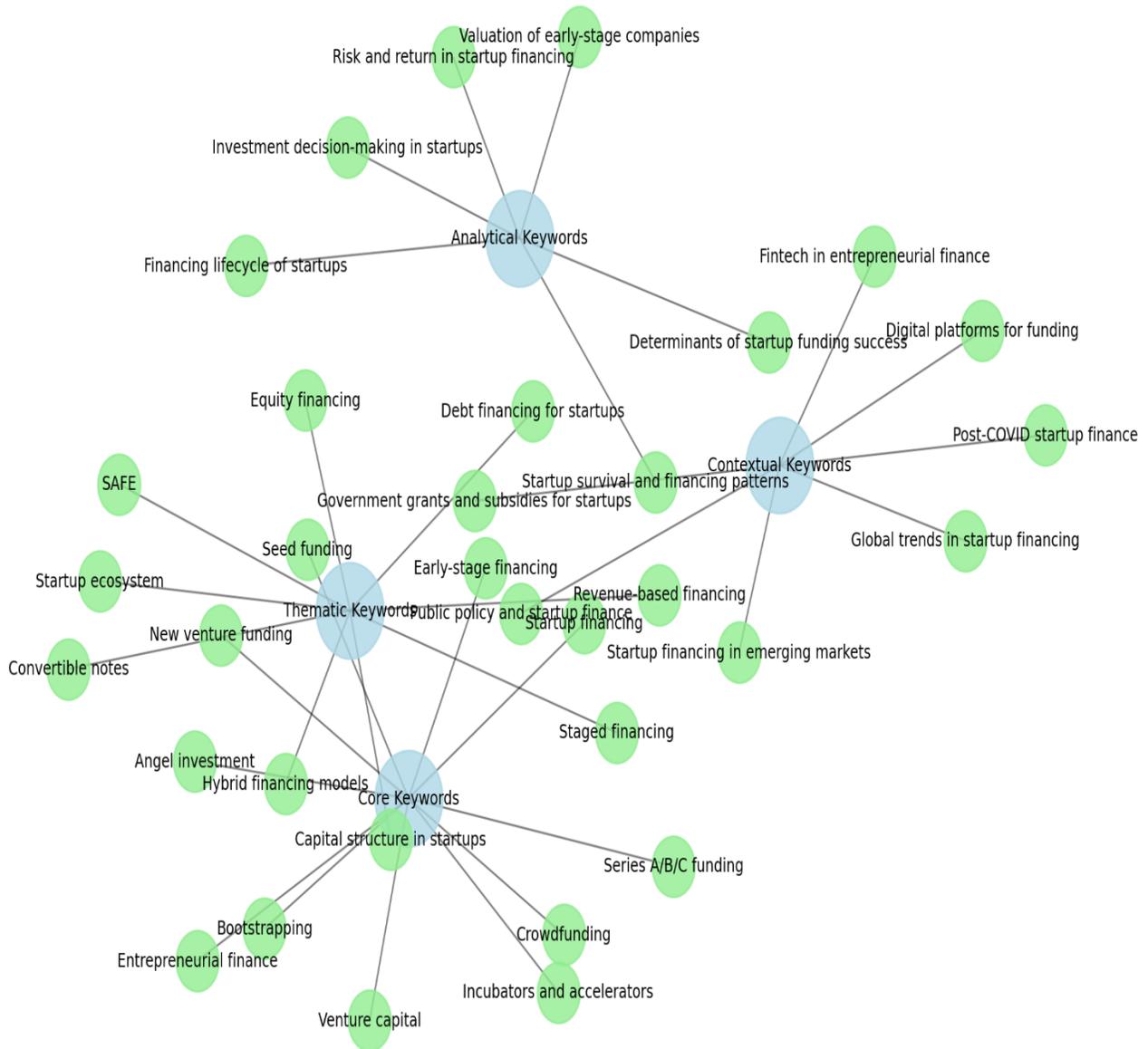
The review is limited to ABDC journals, potentially excluding relevant studies in non-ranked or regional journals.

The focus on English-language articles may miss local insights. The assumed number of duplicates (150) may affect accuracy.

V. CONCLUSION

This SLR provides a comprehensive overview of startup finance trends in India, identifying VC growth, fintech innovations, and persistent challenges like regulatory hurdles. The PRISMA framework ensured a rigorous selection of 48 articles from 1,237, revealing key themes and gaps. Future research should explore non-fintech sectors, demographic factors, and policy impacts to support India's startup ecosystem. This study offers valuable insights for researchers, practitioners, and policymakers aiming to foster a thriving entrepreneurial landscape.

Network Diagram of Startup Financing Research Keywords



A visual map showing how startup financing research keywords are organized into related themes.

1. Structure

- Blue nodes → Keyword clusters (broad research themes)
- Green nodes → Specific keywords within each theme
- Edges (lines) → Show the relationship between a broad theme and its keywords.

2. How to Read It

- Start at a blue cluster node (e.g., Core Keywords) — this is a major category of research terms.
- Follow the lines to green nodes — these are the detailed, searchable keywords for that category.
- The clusters are not connected directly to each other because they represent distinct conceptual groups, but in actual research, you'll often combine keywords from different clusters for richer results.

3. Example Walkthrough

- **Core Keywords:** Central concepts like *Startup financing, Venture capital, Angel investment* — the building blocks for any literature search.
- **Thematic Keywords:** Focus on specific funding types and structures (e.g., *Equity financing, SAFE, Convertible notes*).
- **Contextual Keywords:** Put financing in real-world context — time period, geography, policy (e.g., *Post-COVID startup finance, Emerging markets*).
- **Analytical Keywords:** Research-oriented terms for analysis and measurement (e.g., *Valuation of early-stage companies, Risk and return in startup financing*).

4. Why This Format Helps

- **Quick navigation:** You see the big picture and details at once.
- **Efficient searching:** You can pick a cluster (e.g., “Analytical”) and target literature on metrics and evaluation.
- **Gap spotting:** If a cluster looks sparse, you may identify under-researched areas.

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