Overview of Shutdown Trends

The Indian startup ecosystem has seen a dramatic correction since its 2020–21 boom.

NOTIFICATION

GROWTH BUBBLE

Anand - I know my previous dream failed, but I got a new Idea!!!

How about a Vertical SaaS powered by pre-robotic technologies, a pinch of agentic magic, and sentiment-driven optimization, designed to slice 1000 milliseconds off your tasks, because why settle for “efficient” when you can be quantum-leaping into the future with blockchain-backed, AI-powered emotional intelligence - all while your competitors are still buffering.

10000ms ago

Anand - Anyone there? blocked? No big deal, I just accidentally dissolved their money. Happens to the best of us, right?

2000ms ago

Overview

The Indian startup ecosystem has faced a sharp correction after the 2020–2021 boom. **Tracxn data shows over 28,000 startups closed in 2023 and 2024**, a twelve-fold increase from the previous three years. **This coincided with a drop in venture capital and private equity investments from $24.3 billion in 2022 to $8.1 billion in 2023.**

Many startups that raised large Series A rounds in 2021–2022 ran out of runway before achieving sustainable growth. Analysts point to weak fundamentals, with many companies securing funding before achieving product-market fit (PMF). Once market discipline returned, many of these ventures failed.

Sectors like agritech, fintech, edtech, and healthtech saw the highest failure rates due to over-funding, high burn rates, and unproven business models. Post-Series A failures were driven by unsustainable growth, lack of PMF, and a funding freeze. Only startups with solid foundations are likely to emerge from this correction.

Common Failure Patterns

High Cash Burn and Low Retention

Many startups spent raised funds rapidly on marketing and hiring without solid revenue. For example, FrontRow's founder later explained that its annual revenue plateaued after an initial spike while marketing costs ballooned to over 100% of revenues, with course completion rates falling below average. This combination of high spend and low customer retention proved unsustainable.

Premature Scaling / Poor PMF

Dozens of startups tried to "blitzscale" after Series A without confirming product-market fit. As FrontRow's Ishaan Singh admitted, they had "blinders on" chasing user growth and external metrics, rather than ensuring a strong core product Similarly, Peak XV-backed SaaS startup Toplyne returned capital after admitting it "couldn't reach the scale or product-market fit we aimed for" despite raising $15 M

Fundraising Winter

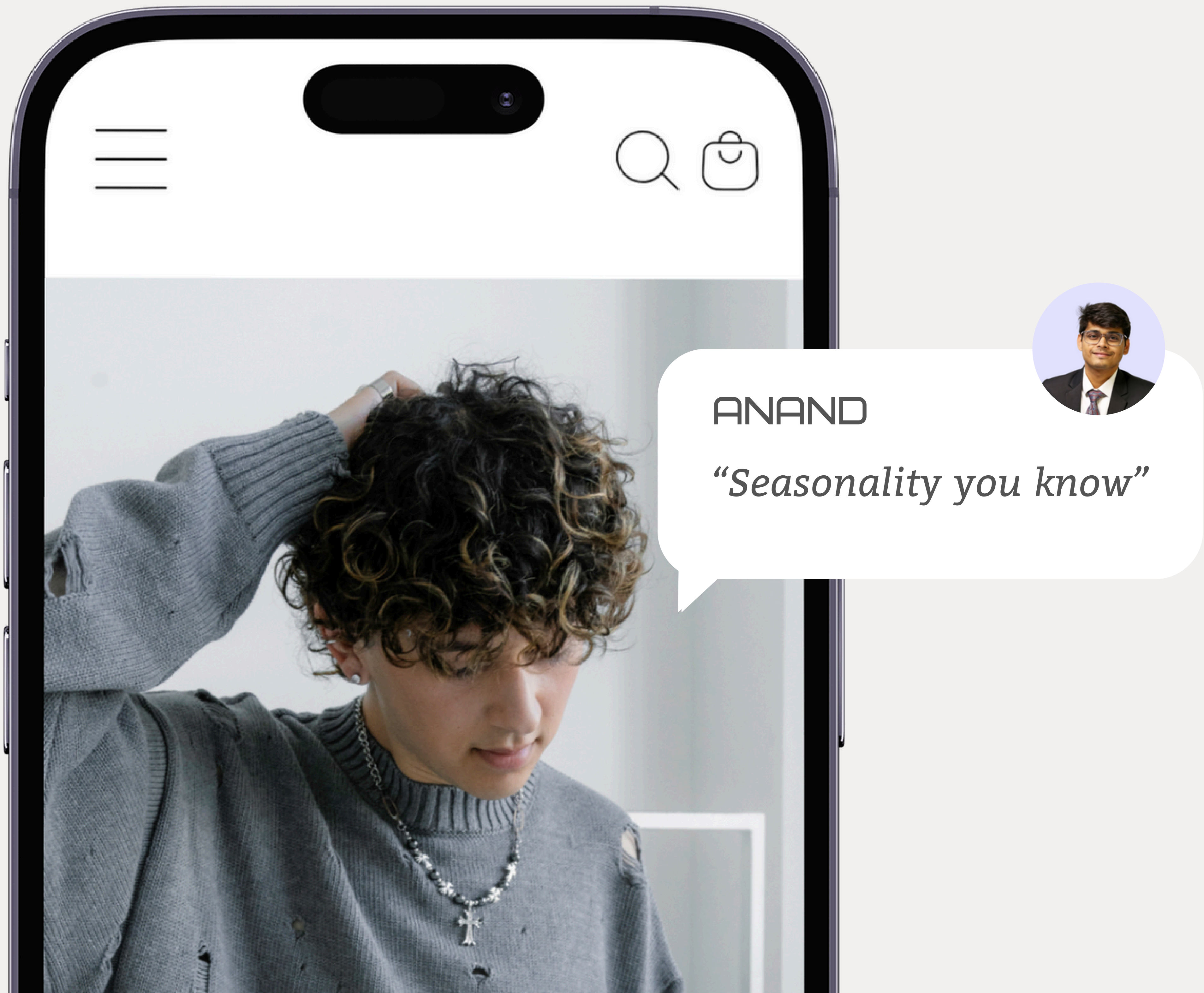
The 2022–23 funding winter left many startups unable to raise Series B. Times of India notes that India's VC funding plunged to a six-year low of $8 B in 2023, forcing founders to focus on cost-cutting and profitability. Startups unable to adapt — whether due to high burn or market shifts — found their cash running out. For example, Edtech player Bluelearn (which had raised $4 M) shut down in 2024 and announced it would return 70% of capital, unable to secure new investment

Market Corrections

Several sectors saw demand evaporate as the post-Covid surge subsided. In EdTech, once schools and offices reopened, user interest in online classes and extracurricular apps fell sharply. Founder Kunal Bhatia of SuperLearn noted that “with things returning to normal…the first casualty was online classes” and that a crowded market had left parents and investors fatigued

Regulatory or Structural Shocks

In FinTech, abrupt policy changes hurt business models. For instance, RBI rules barring UPI cobranded cards forced the student-focused neobank Muvin (pre-Series A funded) to shut down. Similarly, Paytm-backed BNPL startup ZestMoney closed in late 2023 amid regulatory uncertainty and failed acquisition talks




Sector
Analysis
~~sale~~

SaaS Startups

Pattern

B2B SaaS companies often need large user bases or enterprise contracts to justify high valuations. Without that scale, they burn cash on product development and sales. Many early SaaS failures cite inability to scale or find a strong niche.

Case Study

Toplyne: This Bengaluru-based AI/SaaS firm raised $15M (backed by Peak XV, Tiger Global) but shut down in Oct 2024, returning capital. The CEO said the startup “couldn’t reach the scale or product-market fit we aimed for” despite targeting customers like Canva and BrowserStacki. Toplyne’s closure exemplifies a SaaS scenario where an innovative product lacked a sufficiently large paying market or differentiated value to sustain growth.

Other Notes

In general, Indian SaaS startups face global competition and tough buyer scrutiny. Investors today demand solid metrics (e.g. annual recurring revenue and churn rates) before funding. post-winter investors “expect ventures with healthy financials and a proven PMF”. Lacking that, many fledgling SaaS firms opted to wind up rather than chase another round.

FinTech Startups

Pattern

FinTech firms grapple with regulatory risk, trust issues and razor-thin unit economics. Many depended on high-volume customer acquisition (cashbacks, offers) which is costly, and once regulatory constraints tightened, their models failed.

Case Study

ZestMoney: The Goldman-backed BNPL startup ceased operations in Dec 2023 after struggling to grow. Management cited inability to secure funding amid a regulatory squeeze and the cancellation of a planned acquisition by PhonePe. In short, tough new rules on digital lending and BNPL (plus a funding freeze) sank the business.

Muvin: A youth-oriented neobank, Muvin shut down in Feb 2024 after RBI barred its UPI cobranded card model. The startup had raised $3 M pre-Series A. Its story underscores how external regulatory decisions can abruptly invalidate a fintech's core offering, especially in payments.

Other Notes

Investors like DSG's Deepak Shahdadpuri point out that many fintech and consumer finance startups fail within 20 months of their last funding round. Industry experts also warn that sectors like payments and lending have become crowded and over-funded – for example, angel Ajeet Khurana has noted that many food-tech and hyperlocal models in payments were “flawed” because they essentially “buy revenue” via discounts. When investors turned cautious, such business models couldn't survive.

EdTech Startups

Pattern

EdTech boomed during the pandemic, but demand shrunk as normalcy returned. The sector was also characterized by very high customer acquisition costs and dependence on consumer sentiment. Startups that raised Series A in 2020–21 often saw flat or declining revenues thereafter, even as costs stayed high.

Case Study

FrontRow: This online extracurricular-learning startup raised about $17 M at its peak (backed by Lightspeed, Mayfield, etc.) but closed in 2023. Founder Ishaan Singh reported that after an initial viral launch, the company's ARR plateaued and marketing expenses exceeded revenue. He admitted they had "all-out growth mode" blinders on and focused on vanity metrics, which backfired. FrontRow's post-mortem highlights how even well-funded edtechs can crash when user engagement and retention fall short.

Bluelearn: An upskilling/job-finding edtech, Bluelearn raised $4 M from 100xVC, Titan, Lightspeed and others. It shut down in July 2024, planning to return 70% of funds. The reasons given were funding shortage and the failure to justify further investment at that scale

Other Notes

Overall, Indian edtech investment dropped sharply after 2022. According to TOI, investors who rode the 2020–21 edtech boom found it "extremely difficult" to meet the sky-high growth projections once the market cooled. Many edtech startups never demonstrated profitable unit economics; as Neha Shah points out, shutdowns often traced to "business models lacking long-term viability". In short, with reopening economies and saturated market messaging, only a few edtech players with deep pockets or clear paths to profitability survived.

Consumer & E-Commerce Startups

Pattern

Consumer-facing startups (D2C brands, marketplaces, hyperlocal services) face fierce competition, high fulfillment costs, and price-sensitive customers. Many rely on heavy discounts or subsidized delivery, which becomes untenable when funding dries up.

Case Study

10Club: This Bengaluru-based "Thrasio-like" aggregator raised $40 M in 2022 (one of India's largest seed rounds) to acquire internet-first consumer brands. By early 2025 it was failing: vendor payments were stuck and salaries were delayed, as the company had not pivoted its model successfully. 10Club's collapse illustrates how even well-funded D2C ventures can implode if growth stalls and overheads mount.

Koo: The Hindi-language social media platform (a Twitter competitor) shut down in July 2024. Founders Aprameya Radhakrishna and Mayank Bidawatka cited the challenge of running a social network without "sufficient funding" and prohibitive technology. Although not a classic consumer product, Koo's story shows that even consumer-tech players heavily backed can fold if they can't maintain engagement or monetization.

Other Notes

Beyond these examples, many D2C brands and online marketplaces have struggled. Crowded consumer markets and supply-chain complexity make scaling expensive. In the funding crunch, investors grew skeptical of loss-making consumer plays. As TechCircle reported years earlier, food-tech and hyperlocal startups often hit shutdown once investors saw "an adverse view" of those cash-intensive models. Today's crop of failures similarly reflects the limits of scaling consumer businesses on ever-increasing subsidies and marketing spend.

Agritech & Healthtech Startups

Pattern

These deep-tech sectors often require long development cycles and face adoption barriers. Many startups here overestimated farmer or patient uptake and ran out of funds before reaching profitability.

Case Study

Greenikk (AgriTech): A banana-farming ecosystem startup founded in 2020, Greenikk raised ₹8.4 Cr but shut operations by late 2023. Its founders cited mounting losses, loan defaults by borrowers, and an inability to go beyond financial services as core reasons[i]. This shows how agritech ventures can suffer from unpredictable yields, credit risk, and long payback periods – problems magnified when capital is expensive.

Kenko Health (Insurtech): Backed by Peak XV and Orios, Kenko Health (a health insurance platform) ran out of funds and ceased operations in Aug 2024. The company hadn't paid salaries for months and was taken to NCLT by a loan fund. Kenko's failure highlights that insurtech startups, like others, must balance tight margins and compliance – if they burn through runway, they too can collapse.

Other Notes

In general, Tracxn data point to high shutdowns in agritech and healthtech. Investors say early funding rounds had given a false sense of confidence, leading to "growth-at-all-costs" spending in these complex domains. Once follow-on funding tightened, startups lacking quick revenue streams could not sustain themselves.

MY PERSPECTIVES

High failure rates are an expected part of a maturing startup ecosystem. As noted by Venture Intelligence, around two-thirds of funded startups never deliver investor returns. In 2016, TechCircle/VCCircle reported that one funded Indian tech startup shut down every 10 days, with most closures occurring after peak funding periods. For instance, Deepak Shahdadpuri of DSG Partners observes that many startups collapse around 20 months after their last funding round, reflecting the earlier funding surge.

In highly subsidized sectors like food-tech or hyperlocal, startups were often “buying” growth through cash incentives, a model that collapses when investors pull back, as pointed out by angel investor Ajeet Khurana. While India’s 2020–21 funding boom brought vast capital and growth expectations, meeting those projections became “extremely difficult” once macroeconomic headwinds emerged, according to search-exec Madhur Nevatia.

Founders themselves also advise caution. FrontRow’s Ishaan Singh shared that while their team was fully aware of the potential pitfalls, they still got “carried away” with fundraising, emphasizing the importance of focusing on operational metrics over vanity metrics.

In summary, post-Series A failures typically stem from a mix of poor unit economics, premature scaling, and an unforgiving funding climate. As one VC put it, high mortality is “the nature of the beast” in a startup ecosystem, especially after an oversupply of capital.

Conclusion

Indian startups across SaaS, FinTech, EdTech, consumer and other sectors have struggled after Series A funding mainly due to unsustainable business practices and a sudden investment winter. Tracxn and media reports consistently highlight overspending, weak product-market fit, and lack of viable long-term models as the root causes. While each industry has its nuances - from regulatory shocks in FinTech to demand drops in EdTech - the underlying pattern is similar: in the post-boom environment, only startups with proven unit economics and strong fundamentals can raise follow-on capital. Those that raised big but failed to meet metrics or adapt ultimately had to wind down, often returning capital to investors.

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THANK YOU

8:30

NOTIFICATION

Anand - We ran out of funds! Maybe if you could help me with a new round so that I can get the PMF right? 😢 ~~Please~~

2m ago