

Union Budget 2025 catalyses next generation startups with new funds

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An expanded scope and a fresh contribution of Rs 10,000 crore to be set up



A new Fund of Funds, with expanded scope and a fresh contribution of Rs 10,000 crore will be set up, as stated by Union Minister of Finance and Corporate Affairs Nirmala Sitharaman while she presented the Union Budget 2025-26 in Parliament today, 1 February 2025.

Nirmala Sitharaman said, "The Alternate Investment Funds (AIFs) for startups have received commitments of more than Rs 91,000 crore. These are supported by the Fund of Funds set up with a government contribution of Rs 10,000 crore."

Expressing his comments on this major development, **Dr Jitendra Kumar, MD, BIRAC** said, *"BIRAC welcomes the government's visionary move to expand the Fund of Funds (FFS) to Rs 20,000 crore. This initiative will significantly enhance access to capital for startups, driving innovation and entrepreneurship across various sectors, including biotechnology."*

"DBT-BIRAC operates a Biotechnology Innovation Fund-Accelerating Entrepreneurs (AcE) Fund, 'a Fund of Funds' to invest equity in biotech startups to provide the risk capital for startups to undertake innovation, research, and product development. AcE Fund has mobilised >1200 crore through AIFs with BIRAC/DBT committing 150 crore in biotech startups, SMEs. The fund's expanded corpus will provide crucial support to Alternative Investment Funds (AIFs), enabling the growth of cutting-edge startups and empowering them to scale their impactful solutions", he further added.

"The announcement of a Rs 10,000 crore Fund of Funds scheme for startups is particularly significant for healthtech innovation. This fresh capital injection will catalyse the development of specialised solutions for elderly care, especially as we see increasing intersection between healthcare delivery and technology. For those of us building in the senior care space, this represents both validation and opportunity to scale our impact", said **Saumyajit Roy, CEO and Co-Founder, Emoha.**

Sharing his views, **Dr Ajay Sharma, Founder & CMD, Eye-Q Eye Hospitals** said, *"While the focus on expanding medical infrastructure and financing for startups is promising, the eye care sector would have greatly benefited from a reduction in GST and import duties on essential medical equipment, which could have lowered treatment costs for patients."*

The Finance Minister also mentioned that Deep Tech Fund of Funds will be explored to catalyse the next generation startups.

"The Rs 20,000 crore allocation for private-sector-driven R&D, along with the proposed Deep Tech Fund of Funds, underscores the government's commitment to promoting biotech and medtech innovation",

said **Vishal Goel, MD, Rx Propellant.**

"For startups, the Rs 10,000 crore Fund of Funds, deep tech fund, and enhanced credit guarantees create a high-growth environment, particularly in health tech. As a player in this space, we see these initiatives as a catalyst for innovation and scalability, allowing startups like ours to contribute meaningfully to Viksit Bharat. With these forward-thinking measures, India is poised to build a more inclusive, tech-driven, and resilient healthcare ecosystem", said **Manun Thakur, Founder & CEO of Veda Rehabilitation & Wellness.**

Also, an extension of the period of incorporation by 5 years has been announced to allow the benefit available to startups incorporated before 1.4.2030.

Further, a new scheme for 5 lakh women, Scheduled Castes and Scheduled Tribes, first-time entrepreneurs to provide term-loans upto Rs 2 crore in the next 5 years, has been announced.

This funding will undoubtedly help address the barriers to entry for many. However, to ensure long-term sustainability, it is crucial that this initiative is accompanied by continuous enablement, mentorship, and a focused approach to market linkages, said **Mahesh Makhija, Technology Consulting Leader, EY India.**

"The government's New Fund of Funds for Startups, with an additional Rs 10,000 crore infusion, presents a tremendous opportunity for health-tech and ed-tech startups to innovate in medical training, simulation-based learning, and AI-driven healthcare education. The special scheme for women, Scheduled Castes, and Scheduled Tribes entrepreneurs will further empower diverse founders to bring disruptive solutions to the healthcare learning ecosystem", said **Deepak Sharma, Co-Founder & CEO, MedLern.**

Sharing his perspective with a slight concern, Rajat Goel, Co-Founder at Emoneeds said, *"For mental health startups, the government's move to expand medical education by increasing seats is a welcome push. Additionally, the introduction of credit guarantee cover and the new Fund of Funds is timely, especially as startup investments have declined, leaving many budding ventures in need of a lifeline. However, we recall the launch of the mental health helpline in the COVID-19 budget, and little action beyond that. There remains a critical need for expanded insurance coverage for mental health and related illnesses to address the root causes."*