Funding woes threaten farm water tech startups, say experts

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New Delhi: About a fourth of the 70-100 active startups focused on agricultural water management and treatment are at risk of shutting down due to a lack of funding, according to experts.

The potential closure of these so-called AgWaterTech startups could slow down innovation in irrigation, delaying the adoption of smart water management technologies crucial for addressing India’s agricultural water crisis, they said.

A report titled ‘Investment Mismatch in AgWater’, prepared by the DCM Shriram Foundation along with The/Nudge Institute,a non-profit organisation working poverty, said almost 20-25% of active AgWaterTech startups are at immediate risk of shutting down. The report warned startup activity in the sector is slowing, with the number of new ventures declining significantly over the past five years.

However, when asked to name the startups facing the threat of closure, a researcher from The/Nudge Institute refused to do so and requested that his identity be kept confidential.

"Despite India's booming startup ecosystem and the government's ₹10,000 crore Fund of Funds scheme, these funds are unfortunately not reaching AgriWaterTech startups. Venture capitalists remain focused on valuations over value, directing funds primarily to agri supply chain firms, leaving water-tech startups struggling," said Anurag Shrivastava, founder, Kisaan Mitra, an agri startup.

"With many AgriWaterTech startups shutting down, it’s crucial to support them as they drive real impact by improving farm productivity and profitability. The government must create a separate fund for innovative water-tech firms and ensure VCs allocate funds to them under the Fund of Funds scheme," said Shrivastava.

Funding for startups has been a key focus area for the government. In 2024, the Centre launched the AgriSURE Fund with a ₹750 crore corpus to support agritech startups. This includes ₹250 crore each from the Centre and National Bank for Agriculture and Rural Development (NABARD), with an additional ₹250 crore expected from private investors and other institutions.

Similarly, the Agri Accelerator Fund, approved in 2023 by the ministry of agriculture & farmers' welfare, has a ₹300 crore budget over three years to help scale innovative agriculture startups.

According to the Economic Survey 2022-23, over 1,300 agritech startups have emerged, marking a 4.6% increase in the past six years.

“Even startups that have secured funding are struggling to scale compared to their counterparts in countries like the USA and Israel, where deal sizes and funding stages are much higher. The sector faces challenges in attracting investment, limiting its growth and the widespread adoption of water-efficient agricultural technologies in India," the report highlighted.

“VC funding for agritech peaked between 2020-2022, driven by government push (Agri Infra Fund, PM-KISAN) and investor interest in food security. Agritech and water-tech startups are facing a funding winter, not because the problem isn’t critical, but because capital has shifted toward faster-yielding bets like AI and fintech," said Utkarsh Sinha, managing director of Bexley advisors, a boutique investment banking firm.

“The challenge isn’t demand—India’s water crisis and agricultural inefficiencies are real—but the long adoption cycles and monetisation hurdles make investors hesitant. Many startups in the space have ended up becoming reliant on government and multilateral agency-run schemes, sops, and grants—funding sources that have slowed down. Impact investors have also failed to raise LP capital at the rates they did during the 2020-2022 peak, which has cut off capital to some of these companies," said Sinha.

According to Research and Markets, a data research firm, India’s drip irrigation market was valued at $160.37 million in 2024, and is expected to reach $213.55 million by 2030, rising at a CAGR of 4.76%.

As per government data, India's net sown area is about 141 million hectares, with about 73 million hectares (or 52%) of this area being irrigated. The country employs various irrigation methods, including canal irrigation, groundwater sources such as tube wells, and micro-irrigation techniques.